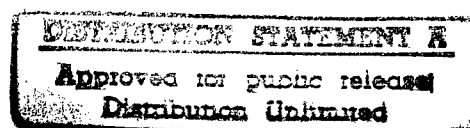


JPRS-EER-91-044  
5 APRIL 1991



# ***JPRS Report***



# **East Europe**

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# East Europe

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## BULGARIA

### OPT Leader Arnaudov on Turkish Schools

91BA0360A Sofia MLADZHI in Bulgarian 4 Feb 91  
pp 1-2

[Interview with Dimitur Arnaudov, Fatherland Labor Party (OPT) deputy, by Yana Mavrodieva; place and date not given: "I Am a Citizen of the World"]

[Text] [Mavrodieva] Two weeks ago, in the Grand National Assembly, you addressed a question to the minister of education on the likelihood that, during the second semester, the Turkish language will be taught in Bulgarian schools. During the discussions in the Political Consultative Council of the Presidency, on 25 January, agreement was reached that this should be optional, using Bulgarian textbooks in Bulgarian schools, under the control of the state. You expressed the separate view of the OPT [Fatherland Labor Party] that the study of the Turkish language should take place outside Bulgarian schools. What is the origin of this separate view?

[Arnaudov] The introduction of the Turkish language in our national educational system is, above all, a political problem that, considering the existing political relations, is linked to the problems of minority rights. Its promotion, as a basic feature in the political documents of the DPS [Movement for Rights and Freedoms], requires that it be considered from several points of view. We note an escalation in the demands made by the Muslims in Bulgaria (under the guise of violated human rights by the totalitarian rule until 10 November 1989), which come close to the political tendency to acknowledge them as a national minority. This can be checked by looking at the United Nations agreements in the areas of languages, education, and culture, which stipulate that providing possibilities for training in and studying a language within the national educational system is mandatory in a country if a certain minority is present.

[Mavrodieva] Are Muslims in Bulgaria considered a national minority?

[Arnaudov] The answer to this question also defines the attitude toward their aspiration to study Turkish. Bulgaria provided an answer to this question in Diary No. 397 of 14 January 1989 in the final adoption of the Vienna Document: There is no Turkish national minority in our country.

[Mavrodieva] Works were published, according to which Turkey is prepared to immediately send to our country 2,600 teachers and textbooks....

[Arnaudov] A concept described as an area of unpunishable violations has become popular in political circles. The Republic of Turkey has been working for many years in that area. It is pursuing its never ending policy according to which, by using the term "compatriots," it has invested its own political concept in the preservation of Turkish self-awareness, the Turkish language, and

anything that makes a person a Turk, with affiliation to another nation and living under the conditions of an alien country. Such is the approach to the Bulgarian Muslims, as well. Thus, for example, Ercument Konukman, who is minister of state and chairman of the Turkish Section of the Bulgarian-Turkish Mixed Commission for Economic Cooperation, quotes a thought expressed by Ataturk in 1931 in his book *From Community to Nation*: "One of the main aspects of nationality is language." On pages 133-134, he voices the view that the Republic of Turkey has the obligation, in the interest of world Turkism, to develop Turkish self-awareness and to preserve and develop the Turkish language.

The political aspect of the study of the language was fully emphasized in the political pragmatism of the state and reciprocity in relations with other countries and the political evaluation of the "individual-state" relationship, as unquestionable and stable structural components of social reality, the fact that Islamic writings are in the Arabic language and not in Turkish, and so forth. This applies even to the aspect of whether the introduction of Turkish in our national educational system does not weaken the immunity of our state.

Motivations both ecological and social opposing this groundless demand by the Bulgarian Muslims could be pointed out. However, this would be a topic for a long discussion.

[Mavrodieva] There still is no decision on introducing Turkish in the schools. What do you expect, following the debates in the Political Consultative Committee?

[Arnaudov] The public has already realized that the only political force that opposes the introduction of the Turkish language in the Bulgarian educational system is the OPT. By virtue of circumstances, a decision was made to set up a commission headed by Gin'o Ganey, which is at the point of trying to draft an agreement leading to a consensus on the introduction of Turkish in Bulgarian schools. Our position is categorical. I would even say that, to us, this is no longer a debatable question because we expressed our views, including all of our motivations and arguments. I believe that we would use all possible legal ways and means to prevent this from happening. Should it take place, from the historical standpoint, it would be nothing more than politically bowing to the DPS. In practice, this would indicate the implementation of its political program.

[Mavrodieva] The charge leveled at the OPT for its so-called nationalistic deviation is an open secret. What is your comment on this accusation?

[Arnaudov] This is a party that has no equivalent in the past and that was created by the force of contemporary political realities in our country as a political model of the National Committee for the Defense of National Interests. Our society's concept of it as being, above all, the creature of the BSP [Bulgarian Socialist Party] and a party with a nationalistic bias is the result of manipulation. I believe that our political opponents have worked

very hard to prevent society from understanding the profound nature of OKZNI [All-People's Committee for the Defense of National Interests] and OPT as a result of fears caused by their broad social base. Let us not forget that still remaining on the agenda is the question of political power, and that a new political group is not welcome by those who believe that they are the only ones, the right ones, to determine the destinies of the state and of our nation. However, the "fog" generated around the two organizations is already lifting, and the public is realizing that the problems that are being raised so urgently in the parliament and on the pages of the newspaper BULGARIYA are real and politically quite serious. Any political force that has ever allowed itself to underestimate or neglect the seriousness of the Bulgarian national problem has lived to deeply regret the consequences of its shortsightedness.

[Mavrodieva] What are the main values professed by the OPT?

[Arnaudov] I could give you a propaganda answer by quoting statements from the party's political platform. Let me, however, take an approach that I hope will allow the readers to comprehend the profound nature of the values we profess. You know that words such as "Bulgarian" or "Bulgarian style" are frequently used in the pejorative sense, in the sense of either a thoughtless or a poorly started and poorly managed work. Our criticism of our own possibilities as a nation lead to the assertion that we are unable to manage ourselves, and that our moral faults are inevitable. Such a disrespect toward ourselves as a nation kills the feelings of national pride and causes fatal damage to our national destiny. I recall statements in Iv. Khadzhiyski's *Optimistic Theory About Our Nation* to the effect that the presumption exists in our country that anyone is a crook until proved otherwise.

[Mavrodieva] Therefore, today we deservedly harvest the bitter crop of national nihilism, a confused historical memory, an undermined feeling of national worth and dignity.

[Arnaudov] Yes, this is so. This was the result of a decades-old effort to raise all people according to a fictitious ideal. The results proved the extent to which we have become spiritually numb, and the extent to which we have been misled with the help of extensively promoted moral values imposed as standards of behavior by an ideology that was not attained.

[Mavrodieva] In your view, what areas does Bulgaria's path to Europe cross?

[Arnaudov] This is a very pertinent question because it is an extension of our previous discussions. I claim that the search of a way to Europe is voluntarism because what we need is to regain our nature as Europeans. We must restore it in a way indicated by our renaissance, a time when the spear and the club yielded to the needle and the yardstick, when wealth was created and not inherited and when people held the social positions they had

created themselves. Once again, today is a time when we must rely on our own daring, perspicacity, and intellect. In other words, we need a contemporary national ideal: freedom filled not with historical idealizing but with the idea that democracy must dominate our minds. Only then will the Bulgarian people be able to say that "we, too, are citizens of the world" and not "the servants of the citizens of the world."

[Mavrodieva] You do not speak frequently in the parliament, but the people quiet down when you ask for the floor. You seem like a volcano that is quietly gathering energy without any spectacular eruptions. How difficult is it?

[Arnaudov] The other deputies, my colleagues, jokingly describe me as "a one-man faction." By extending this joke, you may realize how difficult it is to depict various characters concentrating on the problems of our nation and our state. Seriously speaking, I simply try not to disappoint those who have given me their trust. To be respected by others, a person must first respect himself and control his behavior!

[Mavrodieva] It is an interesting fact that your opponents have not written anything in the press about you that would defame you as leader of OKZNI. How do you explain this?

[Arnaudov] Probably because I have been doing so many bad things that have discredited me to such an extent that it has become unnecessary for others to discredit me.

## HUNGARY

**Justice Minister Discusses Jurists, Pending Laws**  
91CH0426A Budapest MAGYAR FORUM  
in Hungarian 21 Feb 91 p 3

[Interview with Justice Minister Dr. Istvan Balsai by Imre Krajczar at the MAGYAR FORUM office, date not given: "Legislative Schedule; Justice Minister Dr. Istvan Balsai, Guest of MAGYAR FORUM"—first paragraph is MAGYAR FORUM introduction]

[Text] Justice Minister Dr. Istvan Balsai visited our office the other day and told the MAGYAR FORUM's executives about the events that took place during the past weeks and months, about legislative, and bill preparation activities within the portfolio's area and authority, and about various plans and ideas. The interview's version for publication was edited by Imre Krajczar.

[Krajczar] How is the change of regime proceeding at the Justice Ministry?

[Balsai] If that question is how extensive a change of personnel is warranted by the change of regime, then I must say that I am luckier than my fellow ministers.

Most of the necessary changes of personnel were already largely taken care of by my predecessor.

#### Experiences in Pozsony

[Krajczar] During our visit to Pozsony this week, we heard from our journalist colleagues that the public there unequivocally demanded the replacement of judges. Citizens and the new parties have not reconciled with the old faces.

[Balsai] That country cannot be compared to Hungary. Even in the most recent times, there still have been politically motivated convictions in that area north of us. In Hungary, expressly political criminal cases were closed almost two decades ago. If I remember correctly, the last such action was brought against the author of the illegally published sociographic study entitled "Piece-Wages." There were "traffic cases" closely connected with politics. Of course, the actions brought against those who refused to serve in the armed forces could also be considered political cases. However, the penal code was modified through the 1989 agreement between the EKA [Opposition Roundtable] and the MSZMP [Hungarian Socialist Workers' Party], and thus, conscientious objection no longer resulted in legal action. Subsequently, prison terms were cancelled through an amnesty and the persons concerned were rehabilitated. Political criminal cases included only those violations of the law which reached at least the level of subversive activity and qualified as such, but this did not work in practice.

#### For Money, Through Incitement

[Balsai] It was impossible to find a general solution in a few cases in which the political crime, or the crime that was considered political, was coupled with another crime. In these cases individual pardon was granted with the rationale that no person who had anything to do with politics, including the ominous "incitement" clause, should be kept in prison any longer. But I would not consider someone's activity, expressly conducted for the benefit of another country, money, or something else, a political case. However, the president of the Republic also granted pardon in these cases. There were a few cases of subversive activity in which the offender had been convicted for other reasons as well, and thus, was serving a composite sentence.

[Krajczar] Our question was somewhat related to what is also voiced in the letters that our editorial office receives, namely, that the change of personnel, justifiably demanded by society, has not yet taken place in the courts and prosecutors' offices. As the letter writers keep saying, no explanation for this has been given. On the other hand, it is well known that specific legal actions were brought before specific judges. Does this mean that they can now count on immunity?

[Balsai] Fortunately, my predecessor has already completed this work regarding the judges and persons acting as judges involved in the 1956 cases. The truth is that there are no judges active now who played a role in any

kind of a serious case, especially a major one. It is well known that legal processes were protracted after 1956. I am not thinking here of judges handing out extremely severe sentences.

I believe that the judges of these cases were not encouraged, and they did not feel an urge to resign from their posts or to give up their activity as judges. But then, the judges we are talking about have already left the courts, if only because of biological reasons. They have probably reached retirement age. I feel that the complaint, and the raising of this issue, is unjustified.

#### The Judge Transgresses When...

The mere fact that one had to act as a person who enforces the law in accordance with the existing statutes does not fall under critical judgment.

[Krajczar] It does not hurt to remember that it was customary that certain directives or recommendations for certain considerations were sent from here or there, from one of the ministries, or from party headquarters....

[Balsai] The cases often did not even reach the trial phase.

[Krajczar] Was it that they apparently reached the boss, let us say, the number one person of the justice portfolio?

[Balsai] These cases hardly reached the boss because those who "interfered" with the "normal process" did so in the interest of avoiding the trial.

#### Legal Injury in Two Directions

[Krajczar] Our primary thoughts were not anything like these. We think that legal injuries can happen in two directions. One of them is to save or convict, or to have someone convicted because of his political affiliations. The other one is to confuse private and public issues. One could hear about someone filing for divorce. One of the parties concerned succeeded, through his good political connections and, of course, absolutely unofficially, in aggravating the other party's position through fake, and mostly petty, criminal charges. By the time he finally cleared, or failed to clear himself, his scheming was completed with legal help. One could hear of a trial where the sobbing mother-in-law tried to influence the judges by saying, "I have raised two communists for the country." Then there are the fatal or injurious traffic violations and, ahem, hunting "accidents" of lesser or greater political personalities are also well known. Quite a few of these were also hushed up. Our question is: Are not even those who were involved in these not responsible?

[Balsai] I must emphasize again that the courts do not have the power of pardoning. This power was exercised earlier by the Presidential Council, now it is exercised by the president of the Republic.

### A Democratic Custom

What we have been discussing until now is only one part of the change of regime. Incidentally, as it follows from above, there was no need in Hungary for such manifestations of the change of regime as in the neighboring countries. With regard to the changes that involve the entire court system, which will affect the courts' prestige, these can be implemented within normal law enforcement. We must regulate the requirements for becoming a judge and the appointments to leading court positions. As is well known, parliament's two-third majority vote is needed for the latter. For instance, the president of a county court is selected from among applicants on the basis of an evaluation at a general meeting of all judges active in the county. His commission is for a determined period of time. Thus, it is inconceivable that this post would be filled by a person other than the best and most suitable one as determined by his colleagues. Earlier it was customary to "send" or recommend someone "from above."

[Krajczar] Mr. Minister, you spoke of a general meeting of county judges. They are the same people as before; people who have been privileged until now. They will elect their own man.

Only a judge can be a judge, and only a practicing judge can be president of a court. For instance, if someone was expelled from the court ten years ago because of political reasons, can he not even reapply because he is not presently a judge?

[Balsai] We will take him back to the bench anytime. We have seen more than one such case in the past months. Of course, all of them involved people who have preserved their judicial dignity. But let us return to the change of regime.

In our work it manifests itself primarily in that we work out and submit important statutes. This happens in several areas. One of these, which can be put, in a strict sense, under the category of justice administration, includes the law mentioned in connection with the courts. Then, we are also changing the attorney law. Until now, for instance, only those who were considered qualified by the Bar could become attorneys. The statute for reprivatizing notaries is also in the making. The penal code must be modified because the present one does not recognize the equality of proprietorships and provides increased protection to certain forms of property, e.g., public property.

### The Pace of Modification

[Krajczar] The political side of the judiciary emerges again. The laws we are talking about are so significant that the principle of two-third majority must be applied to several of them. This creates special opportunities for the opposition.

[Balsai] It is customary in all democracies to determine which bills demand qualified legislation. It is another

question by whom, and to what extent this principle is taken seriously. We could start from the fact that the one-party system had a party, a government, and a hapless parliament. Even though individual opinions could also be heard in that parliament. Thus, already there, was the demand for a two-third majority in issues that affected most citizens. For instance, the bill on interest tax was rejected by the Constitutional Court by referring to the lack of a two-third majority vote.

[Krajczar] Considering the experiences in other countries, how good or useful is this requirement?

[Balsai] I have recently looked through the new constitutions of several European countries. Every one of them had this legislative requirement, but none of them were as strict about it as our constitution.

I note here that some peculiarities exist in our legislation. For instance, the laws dealing with prosecutors are not included in that particular EKA agreement. But the prosecutors are included in the constitution and thus, are in the category that requires a two-third majority.

We must modify several codes. This includes the penal code and the civil code. On the other hand, it is the Ministry of Labor that is working on the labor code. The state secretary of labor indicated in his statement that the draft bill will be presented to parliament during the second half of this year.

### Expertise and Speed

[Krajczar] The public is now awaiting, with increasing interest, the news about legislation in the economic sphere.

[Balsai] In this area, too, we have a lot to do this year. Because of a lack of time and backlogs, part of our finished drafts did not yet reach parliament. I am thinking here primarily of the concession law. The privatization law is badly needed, even though there are certain legal guidelines in that area, but it is almost impossible to overview the extremely complex and huge legal material. Thus, we cannot circumvent this one either. We will modify the Association Law, and the business laws must also be regulated.

We are trying to be cautious, but no one can guarantee a completely flawless legislation.

[Krajczar] We often hear the accusation that, because of the uncertainties of Hungarian laws, foreign investors are balking at stepping into our territory. Our administrative bureaucracy will also successfully convince them not to.

[Balsai] I believe that the issue is refusal to accept responsibility. The legal obstacles are not particularly great; as a matter of fact, they are mentioned as excuses by those who, because of convenience or other reasons, drag out matters.

[Krajczar] Do you not detect a kind of deliberateness in this, a kind of countercheering?

[Balsai] I do not know what to think, but I do believe that we could probably help through legal and legislative means.

[Krajczar] Mr. Minister, thank you for the interview.

### **Constitutional Court Reviews Damage Claims**

91CH0417A Budapest MAGYAR KOZLONY  
in Hungarian No 26, 15 Dec 90 pp 2440-2444

[Constitutional Court ruling No. 30/1990 AB of 15 December on an appeal to cease an unconstitutional situation]

[Text]

### **IN THE NAME OF THE HUNGARIAN REPUBLIC!**

This is in response to a complaint filed by Istvan Biro, Jr. which raises a constitutional issue, and further, in regard to a petition filed by Debrecen resident, Attorney Dr. Attila Gyorfi, and Ocsa resident Laszlo Barany which seeks after-the-fact judicial review of certain legal provisions [hereinafter summarily: "Complaints," "Complainants"]. At issue are legal provisions governing the enforcement of damage claims against members of Soviet troops stationed in the territory of the Hungarian People's Republic which stem from their actions in the course of performing service related duties [hereinafter: "damages caused by Soviet troops"]. The Constitutional Court issues the following:

### **RULING**

The Constitutional Court rejects the petition filed by Dr. Attila Gyorfi and Laszlo Barany to declare unconstitutional and to annul the provisions of Decree with the Force of Law No. 54 of 1957 [hereinafter: "Decree"] concerning the proclamation of an agreement between the government of the Hungarian People's Republic and the Government of the Federation of Soviet Socialist Republics, signed in Budapest on 27 May 1957 [hereinafter: "Agreement"]. The Agreement pertains to the situation of Soviet troops temporarily stationed in the territory of the Hungarian People's Republic.

However, based on Paragraph 21 Section (7) of Law No. 32 of 1989 (Law Concerning the Constitutional Court), the Constitutional Court ex officio determines the following: The minister of defense did not perform the legislative duties authorized by Paragraph 3 of the Decree. This failure to act created an unconstitutional situation in which laws applied on the basis of the consummated Agreement on the one hand, and domestic law on the other became mutually inconsistent. This condition violates the provisions of Paragraph 7 Section (1) of the constitution.

For this reason the Constitutional Court calls upon the minister of defense to perform his legislative duty by 31 March 1991, by initiating the adoption of a high level legal provision with the concurrence of the minister of justice and the foreign minister. The Constitutional Court establishes this requirement in due regard to the weight and significance of the matter at issue.

The Constitutional Court suspends consideration of the complaint filed by Istvan Biro, Jr. pending adoption of the above mentioned legal provision. The complaint raises a constitutional issue.

The Constitutional Court orders publication of this ruling in MAGYAR KOZLONY.

### **ARGUMENT: I**

Complainants contend that pursuant to the Decree, the enforcement of claims for damages caused by Soviet troops are not dealt with in the framework of judicial proceedings, but by the Hungarian-Soviet Joint Commission [hereinafter: "Joint Commission"]. The proceedings of this body are nonjudicial in character. No legal recourse whatsoever is available to challenge the decisions of this organization. This limitation is spelled out in the Joint Commission's rules and regulations.

In the Complainants' view, these provisions of the Decree violate the fundamental rights of Hungarian citizens as guaranteed by the constitution.

Paragraph 57 Section (1) of the constitution provides that every citizen is entitled to the right to have "his rights and duties adjudged by a legally constituted independent and impartial court in a fair and open trial." Section (5) of the same Paragraph provides that "all persons shall be entitled to legal recourse pursuant to law against decisions rendered by courts, state administrative organs, or other authorities which violate a person's rights or just interest."

A procedural order which deviates from these constitutional provisions is also the subject of Attorney Dr. Attila Gyorfi's complaint. His grievance stems from the fact that even though evidentiary proceedings relative to damages caused by withdrawing Soviet troops took place before civil courts, the summary opinions of these courts were not binding with respect to the Joint Commission, and because no legal recourse was available against the determinations of the Joint Commission, Dr. Gyorfi recognized these factors as violations of fundamental rights.

The submission of Istvan Biro, Jr., pertains to his specific case. He also complained about the fact that evidentiary proceedings were conducted before a Hungarian court upon the Joint Commission's request, and pursuant to the rules and regulations of the Joint Commission. The issuance of a "summary opinion" concerning the evidentiary proceedings concludes such court proceedings. Although based on the completed



evidentiary proceeding, the capital city court recommended that the complainant be awarded the amount of nonmonetary damages sought, the Joint Commission disregarded the recommendation because it was not bound by the "summary opinion." Lacking an opportunity for legal recourse, Biro received only half the amount the court regarded as fair settlement. The reasoning supportive of the Joint Commission's changed view concerning the fair amount of settlement was not known to Biro.

In Biro's view, his rights were violated by the unconstitutional acts of referring his case to the Joint Commission, and of ruling out an opportunity for legal recourse.

### ARGUMENT: II

The Constitutional Court obtained the documentation related to Istvan Biro, Jr.'s tort claim. The court also communicated with the Foreign Ministry, the international division of the Ministry of Justice, and the Joint Commission.

In its response, the Foreign Ministry reported on the circumstances of the Agreement and about the functioning and jurisdiction of the Joint Commission. The Joint Commission was established by virtue of Article 17 of the Agreement. Thereafter, the ministry made mention of limitations with respect to inquiries concerning the constitutionality of international agreements. Specifically, the ministry made reference to Law No. 32 of 1989 concerning the Constitutional Court which prohibited the after-the-fact scrutiny of standards contained in international agreements.

No internationally accepted cause for unilateral challenges to international agreements exists.

The Foreign Ministry was aware of problems stemming from the lack of court jurisdiction and legal recourse relative to complaints involving constitutionality and similar matters.

In essence, the response received from the international division of the Ministry of Justice stated the same. The Ministry of Justice submitted a detailed comparison between rights specified in Paragraph 57 Section (1) of the constitution and similar principles in foreign law. Based on the Law concerning the Constitutional Court and in a manner similar to the Foreign Ministry, the Ministry of Justice found no authority for the after-the-fact constitutional review of international agreements.

The Ministry of Justice indicated that in cases involving differences between domestic law and an already consummated international agreement, international law required the adjustment of domestic law so that it conformed with the international agreement. This also applies to Decree with the Force of Law No. 27 of 1982. It established procedural requirements relative to international agreements. The provisions of this Decree must be observed, and consistency between international

agreements and domestic law must be established accordingly. The Justice Ministry's response also made the point that essentially, these safeguards were also spelled out in Paragraph 7 Section (1) of the constitution. It provides that "the legal system of the Hungarian Republic shall accept the generally recognized rules of international law, and shall ensure consistency between legal obligations agreed to under international law, and domestic law."

As far as challenging the international agreement was concerned, the Ministry of Justice explained that a theoretical possibility for such action existed only if "the agreement violated one of the mandatory rules (*ius cogens*) of general international law at the time it was consummated." No *ius cogens* can be applied to Hungary at this time, therefore no grounds for challenging the international agreement exist. Thus, the theoretically possible solution cannot be applied.

No realistic opportunity to amend the Agreement exists because the agreement will lose force following the completion of Soviet troop withdrawal. This will occur on 30 May 1991.

Relative to the constitutional complaints, but also as a matter of principle, the Ministry of Justice response points to the provisions of Paragraph 7 Section (1) of the Civil Code of Laws. These provisions have been in force at the time the Agreement was consummated, and continue to be in force today. This provision states that although the enforcement of rights is the function of courts, deviations from this rule could be provided for by law. Accordingly, in the opinion of the Ministry of Justice, the Agreement cannot be viewed as unconstitutional.

Yet, relative to this specific case and similar cases, the international division of the Ministry of Justice recognized a need to settle these issues because of the problems that may flow from these issues.

The response received from the chairman of the Joint Commission's Hungarian branch provided a detailed analysis of Istvan Biro, Jr.'s case and the actions taken thus far. The chairman claimed that the order and practice that evolved thus far within the Joint Commission were consistent with law, in the context of both the Decree, and a legal aid agreement proclaimed by Decree with the Force of Law No. 22 of 1958. The chairman also believed that the establishment and operation of the Joint Commission were based on legal authority granted by the provisions of Paragraph 7 Section (1) of the Civil Code of Laws. In his view, consistency with Hungarian legal provisions was established by the fact that Paragraph 1 of Ministry of Justice Decree No. 7 of 17 August 1958 provided an opportunity for evidentiary proceedings to be conducted by Hungarian courts in response to requests made by the Joint Commission, and by the requirement that "summary opinions," which concluded such evidentiary proceedings, become part of the Joint Commission's proceedings.

The response also indicated that even though the Agreement failed to address the issue of finality, Paragraph 16 of the Joint Commission's Operating Rules provided as follows: "The determinations of the committee are final. Such determinations shall not be subject to appeal, and shall not be the subjects of petitions filed in courts." The operating rules provided a narrow opportunity for making changes if new circumstances or new proof came to light.

Relative to the case of Istvan Biro, Jr. the response claimed that the Joint Commission indemnified the complainant to the extent possible.

This response nevertheless conveys the sense of tension which attends indemnification cases.

### ARGUMENT: III

Regarding the after-the-fact constitutional review of international agreements, and relative to the possibility of challenging or amending the Agreement, the Constitutional Court shares the legal view expressed by the Foreign Ministry, the Ministry of Justice, and the Joint Commission. Indeed, the Constitutional Court has no authority to perform an after-the-fact review of the Agreement. For this reason, based on the complaints submitted, the Constitutional Court examined only the provisions of domestic law now in force, i.e., the Decree. This Decree constitutes law and therefore is not exempt from under constitutional scrutiny. The Constitutional Court compared the provisions of the Decree with constitutional provisions now in force.

Thus, the examination extended to comparing Paragraph 2 Article 9.(1), Article 10.(1), and Article 17 of the Decree on the one hand, with Paragraph 57 Sections (1) and (5) and Paragraph 7 Section (1) of the constitution. The above mentioned provisions of the Decree are the subjects of the complaints.

Paragraph 2 Article 9.(1) of the Decree states that "The government of the Federation of the Soviet Socialist Republics shall indemnify the government of the Hungarian People's Republic for damages caused to the Hungarian state as a result of actions taken or failures to act by Soviet military units or by individual persons within such units, and shall indemnify Hungarian organs, citizens, or foreign citizens within the territory of the Hungarian People's Republic for damages caused by Soviet military units, or military personnel belonging to such units in the course of performing their service related duties.

"In all cases, the extent of indemnification shall be determined by the Joint Commission established pursuant to Article 17 of this Agreement. Such determinations shall be based on claims filed, in due regard to provisions of Hungarian law."

Article 10.(1) provides essentially the same order for the settlement of claims arising from damages caused by Hungarian state organs to the property of Soviet troops or to Soviet persons.

Article 17 specifies that "A Hungarian-Soviet Joint Commission shall be formed to resolve issues arising from the interpretation and application of the present Agreement, and from planned supplementary agreements. Each party to the Agreement shall designate three representatives to serve on the commission.

"The Joint Commission shall operate in a manner consistent with rules adopted by the Joint Commission."

In and of itself, Paragraph 2 Section 9.(1) of the Decree delegates to the Joint Commission only those cases which involve damages caused by members of Soviet troops in the course of performing their official duties. The Joint Commission determines the extent of indemnification under this delegated authority. It also stipulates that the Joint Commission render its decisions in due regard to Hungarian law.

The problem stems from the fact that procedural rules applicable to such cases were not established as part of the Decree. Instead, such rules were provided in the framework of the "Operating Rules of the Hungarian-Soviet Joint Commission and of the rules and regulations of its secretariat."

Even though these rules declared that the Joint Commission "must not render determinations contrary to the manner in which laws are applied by Hungarian courts," additional provisions contained in these rules significantly deviated from Hungarian procedural rules.

According to Paragraph 12 the Joint Commission shall generally render its decisions in closed meetings. Members of the Joint Commission are not judges, they need not necessarily have an education in the field of law, and their "determinations ... are final. Such determinations shall not be subject to appeal, and shall not be the subjects of petitions filed in courts" (Paragraph 16). "Relative to damage claims amounting to less than 100,000 forints, the chairmen of the two branches may render determinations without convening the Joint Commission" (Paragraph 19). Nevertheless, such determinations constitute determinations made by the Joint Commission. These rules conflict with the provisions of Paragraph 57 Sections (1) and (5) of the constitution. They also violate the prohibition from discrimination contained in Paragraph 70/A of the constitution, because based on the procedural rule a practice evolved which exceeded the provisions contained in the Decree. Thus, the Joint Commission determines not only the extent to which indemnification is to be provided. It also determines the legal basis of claims and conducts related evidentiary proceedings. In other words, the practice that evolved on the basis of the Joint Commission's Rules and Regulations diverted typical civil law cases to the nonjudicial Joint Commission based on the sole criterion of who caused and who claimed damages. This

kind of exception was not authorized by Paragraph 7 Section (1) of the Civil Code of Laws. An appropriate interpretation of Paragraph 7 of the Civil Code of Laws indicates that the possible deviation applies only to individual classes of cases. Within the excepted class of cases the procedure must always be applied uniformly with respect to everyone. For this reason, the Constitutional Court refuses to accept the ministries' position with respect to Paragraph 7 Section 1 of the Civil Code of Laws.

In examining the legal character of the rules and regulations, the Constitutional Court determined that the rules and regulations were not clearly Hungarian in character, nor did they constitute law. Nor could the rules and regulations be regarded as other legal means available to state management, as provided for in the Decree with the Force of Law No. 11 of 1957 concerning legislation.

Thus, based on the above, even though the rules and regulations violate constitutional provisions, Paragraph 1 Section (b) of the Law Concerning the Constitutional Court does not authorize the Constitutional Court to take controlling action after-the-fact or to annul the provisions of the rules and regulations.

Although the jurisdictional reach of the Constitutional Court permits a review of the Decree as to constitutionality, it is the court's judgment that the unconstitutional legal application described earlier was not based directly on the Decree. This is so, because fundamentally, the Decree regulates interstate relations. It does not rule out the possibility of framing a Hungarian law to govern the relationship between the Hungarian state and persons who suffered damages, in a manner consistent with the constitution in force and without violating the international Agreement. The Hungarian state is a party to the international agreement.

In due regard to the above, the Constitutional Court rejects complaints which seek a declaration of the unconstitutionality, and the annulment of the Decree and of the rules and regulations.

At the same time, based on Paragraph 1 Section (e) of the law concerning the Constitutional Court, the Constitutional Court makes an ex officio determination. Based on the above, the Constitutional Court finds that an unconstitutional situation evolved in the course of settling claims for damages caused by Soviet troops. The unconstitutional situation resulted from the failure to ensure consistency between the international agreement and domestic law. Such consistency was not provided for by Decree with the Force of Law No. 22 of 1958 and by Ministry of Justice Decree No. 7 of 17 August 1958. These decrees provided for the proclamation and implementation of the mutual legal aid agreement between the Government of the Hungarian People's Republic and the Government of the Federation of Soviet Socialist Republics signed in Budapest on 24 April 1958. The Agreement pertains to matters related to the temporary stationing of Soviet troops within the territory of the

Hungarian People's Republic. Ministry of Justice Decree No. 7 of 17 August 1958 provides discretionary authority to the Joint Commission to request the capital city court to take witness testimony, etc. in the course of evidentiary proceedings. On the other hand, the summary opinion of the court is not binding with respect to the Joint Commission.

Accordingly, the main reason for the existing unconstitutional situation is the lack of an appropriate provision in domestic law. In the judgment of the Constitutional Court, clear responsibility for this situation rests with the minister of defense. This is because the minister of defense failed to perform the legislative duty assigned to him by the provisions of Paragraph 3 of the Decree which proclaimed the Agreement.

For this reason, in its ruling the Constitutional Court calls upon the minister of defense to remedy his past failure to act.

The Constitutional Court holds that as long as a lack of consistency between the already consummated international agreement, and domestic law has violated the fundamental rights of citizens guaranteed by the constitution, the Hungarian state should fulfill its obligations established in Paragraph 7 Section (1) of the constitution. This can be accomplished by establishing internal rules which settle the present situation in a manner consistent with the constitution. The action to be taken should provide a constitutional balance based on the state's acceptance of direct responsibility toward its citizens, without violating the state's obligations agreed to in the framework of the international Agreement. Considering the significance of this matter, the legislative failure to act will have to be remedied by proclaiming a high level legal provision.

#### ARGUMENT: IV

The following pertains to the specific case of Istvan Biro, Jr. Based on the complaint that he filed and on documents pertaining to the case, the Constitutional Court finds that Istvan Biro, Jr. suffered permanent damage as a result of an accident caused by a Soviet military vehicle on a public road. Biro sought annuity indemnification, compensation for damages and for loss of income, and for nonmonetary damages suffered.

The Joint Commission awarded nonmonetary damages only to the extent of 50 percent of the claim, despite the fact that the capital city court recommended satisfaction of the claim in full. The capital city court conducted the evidentiary proceeding at the Joint Commission's request.

Since Istvan Biro had no available legal recourse against the determination, he tried to remedy his case by unsuccessfully complaining all along. In the end, Biro submitted his complaint to the Constitutional Court immediately after the establishment of the court. The complaint was accepted by the Constitutional Court as one that involved a constitutional issue and was filed in

a timely fashion. Regarding the specific constitutional issue presented in the claim, the Constitutional Court believes that the new legal provision to be framed will have an effect on the complaint. For this reason the Constitutional Court decided to abstain from dealing with the merits of the case until promulgation of the new legal provision. This should also mean that it would be appropriate to establish the force of the new legal provision so that it applies to this case.

The deadline for remedying the failure to act is based on Paragraph 49 Section (1) of the law concerning the Constitutional Court. Publication of the Ruling is based on Paragraph 40 of the law concerning the Constitutional Court.

[Signed:] Dr. Geza Herczegh, Deputy Chairman of the Constitutional Court; Dr. Antal Adam, Dr. Tamas Labady, Dr. Andras Szabo, Dr. Imre Voros, Dr. Geza Kilenyi, Dr. Peter Schmidt, Dr. Odon Tersztianszky, Dr. Janos Zlinszky, Justices of the Constitutional Court.

Constitutional Court Case Number: 266/B/1990

#### **Local Government: Property, Legal Situations**

91CH0418A Pecs UJ DUNANTULI NAPLO  
in Hungarian 5 Jan 91 p 3

[Interview with Dr. Lajos Szabo, Ministry of the Interior division chief for autonomous governmental bodies, by L. Janos Laszlo; place and date not given: "Autonomous Local Governments Are Waiting for Laws"—first paragraph is UJ DUNANTULI NAPLO introduction]

[Text] Local autonomous governmental bodies began functioning in Hungary three months ago. Our reporter inquired about the situation from Dr. Lajos Szabo, chief of the Interior Ministry Local Government Division.

[Laszlo] What kind of relationship exists between the Ministry of the Interior and the various local governments?

[Szabo] The Interior Ministry is not the superior of the local governments. Its authority extends to exerting influence through legislation. In addition, relationships are maintained through certain functions, such as legal oversight, training, and continuing education. No duty to report exists now, but we have obtained much information at the recently completed mayors' training course. Some 3,000 people took part. Among other things, the government plans to establish an information service in the counties concerning settlements, the state household, and public management. We are going to be involved in that. The ministry does not really seek out the various local governments, rather it is in the reverse. Each day we receive 30-40 telephone calls and 10-20 letters which inquire about our position on various matters.

[Laszlo] What is the performance record of representative bodies thus far?

[Szabo] Work at the local level is far more active and better than the public assumes. Previously the councils met once every three months, and the executive committee met once a month. The law provides that the new local legislatures must meet at least six times a year. In contrast, weekly conferences became the general practice throughout the country.

We are also aware of local party skirmishes. In examining why mayors resigned, we found that frequent meetings were one of the reasons. Mayors and local legislatures were unable to work together in situations where the mayor belonged to a different party and had a different outlook than most of the legislators. Several mayors resigned because representatives had failed to authorize a full-time mayoral position.

Incidentally, in about 70 percent of local legislatures in the countryside, partisan differences were not decisive. Such differences are more likely to create problems in larger settlements.

[Laszlo] Rumor has it that great uncertainty prevails at the staff level in mayors' offices. The trade union which represents these workers submitted a petition to parliament requesting the early passage of a law to settle their conditions. Is the staff situation really that bad?

[Szabo] Close to 32,000 people have worked in the field of public administration thus far. During the past year a large part of the truly good professionals—economists, engineers, lawyers—felt that they should not wait until the uncertainty came to an end. They moved on to business and industry where the pay was better. Workers may sense instability, because to this date, no law establishing the legal status of public officials exists. In response to protests, parliament dealt with the legislative proposal for a day. However, action on the proposal was postponed because more important legislation had to be addressed.

There are no mass layoffs. To the contrary, a shortage of professionals is more typical. Competitive examinations for a large part of the town clerk positions were won by former executive committee secretaries. However, in some instances, good professionals from among the executive committee secretaries were appointed. The reason for this was a widespread view which held that for the sake of "balance," the elected town clerk should belong to a different party than the mayor. This is true, even though no such relationship should be established between these two offices. The town clerk is not even a member of the local legislature.

We found no shortage of clerks in the cities. In Balatonalmadi, 21 persons applied for the clerk's position. Shortages are much more characteristic of municipalities and of places where the town clerk serves several municipalities. We have no accurate data at this time because the deadline for applications has not expired everywhere. About one-quarter of the town clerk positions are still vacant.

[Laszlo] Did you succeed in establishing the new internal organizations for mayoral offices?

[Szabo] The cabinet submitted legislative proposals to parliament concerning local autonomous governmental bodies and their organizations, county commissioners, and the functions and authority of decentralized organs. Although parliament did not render decisions regarding all of these issues, one might venture to guess as to the kinds of functions that will be left with local government, and the basis on which an internal division of labor will be established.

Concerns about removing substantial authority from local governments proved to be unfounded. In part, authorities which thus far did not really belong to the council organizations, the ones which had an expressly professional, specialized supervisory character, would be removed. Manpower markets will be established in the counties to resolve employment problems, but only in cities regarded as crisis zones. In addition, the Public Health and Contagious Disease Station will merge with the public health office and the office of the medical officer, and consumer interest protection functions will be removed from the county councils. Despite all of the advance rumors, building offices will continue to operate within local government if parliament adopts the cabinet proposal. Boards of guardians will not be established either. Guardianship affairs will continue to be dealt with by the offices of mayors.

[Laszlo] Most mayors complain about a lack of laws and their resultant inability to act. They are unable to become involved in entrepreneurial undertakings. Which laws are still missing?

[Szabo] The missing law concerns the clarification of local government property. A law which specifies the assets that belong to the treasury is needed before local governments can tell what belongs to them. A land law, and laws concerning concessions and privatization are also needed. Only preliminary agreements might be reached as long as these laws are missing. However, at this time, one cannot tell when parliament is going to enact these laws.

## POLAND

### Polemic on Walesa Presidency, Staffing

#### POLITYKA Critique

91EP0346A Warsaw *POLITYKA* in Polish No 9,  
2 Mar 91 pp 1, 6

[Article by Jerzy Baczynski and Stanislaw Podemski:  
"The Loneliness of the President: The First Two Months  
of the Presidency Can Hardly Be Considered a Success"]

[Text] It is our impression that neither the president himself nor many of his voters have as yet fully realized what had happened late last December when L. Walesa

walked on a red carpet into the Sejm and swore a solemn oath in the presence of the gathered deputies and senators.

Over the years we had become accustomed to Walesa as a workers spokesman and trade union leader spurring Poland into strikes and protest actions. The fact that subsequently, dressed elegantly, he addressed the chambers of the Congress of the United States, shook the hand of presidents of the FRG and France, and received Japanese industrialists, did not deprive Walesa of that trade union role and his standing. As of the end of December 1990, however, a turning point took place. L. Walesa as the president is, according to the Constitution, "the highest representative of the Polish State in domestic and international relations...the commander in chief of the Armed Forces...[who] signs legislative acts" and exercises all sorts of numerous duties, roles, and functions (from nominating the candidate for prime minister to exercising the right of pardon).

Since then there have been no private gestures, words, attitudes, and correspondence of L. Walesa. Anything that concerns him, inclusive of the conduct of his family, is a matter of public record and is attentively and vigilantly (which does not necessarily mean hostilely) observed and evaluated, regardless of his past merits. Such is the tradition in Poland, dating back to immemorial times of kingship at that. Walesa the president has become, or rather should become, the embodiment of the dignity, gravity, and wisdom of the Republic vis a vis Poles and foreigners. That is how we all desire to perceive him, regardless of whether we may be his zealous supporters, critics, or adversaries, and regardless of whether some of us are indifferent to affairs of state.

This change in roles from trade union leader to first gentleman in the state is not easy, but it is feasible and necessary. A deserving role in bringing about this change should be played by the president's entourage, by those with whom he works, whom he consults and listens to. Unfortunately, the first two months of Lech Walesa's presidency provide ample proof that his staff is not doing a good job. Public comments by the president abound in errors, gaffes, maladroitness, and missteps. If, sadly, we are referring to them, it is because it is high time to put an end to that "black series" impairing the authority of the president and the presidency as an institution.

Already during the presidential inauguration the first discordant note was struck. An appreciable segment of public opinion has been, regardless of political sympathies, disagreeably struck by the failure to invite to the inaugural ceremony the person surrendering the office, that is, the previous president, W. Jaruzelski. This affront toward yesterday's loyal political partner was a display of pusillanimity, something that Polish tradition views as unworthy of the victor. It is said, according to Jacek Merkel, that this happened at the request of Lech Walesa, even though it was Sejm Speaker Mikolaj Kozakiewicz, the host of the inaugural ceremony at the Sejm, who was the butt of the complaints. It hardly seems that

President Walesa and his people have gained anything from this basically vapid gesture. On the contrary....

Almost simultaneously, the public was informed that L. Walesa accepted an invitation to visit Taiwan, which threatened an immediate exacerbation of relations with China. Of course, it is possible to break relations with China and establish them with Taiwan, but that would be a highly important political decision. Yet, everything indicated that the invitation was accepted without giving any thought to its implications. Of a certainty, no one had advised the president of the possible consequences of a friendly gesture toward the welcome guests from the distant Taiwan.

Following the inauguration the president began to organize his staff. The idea of appointing the Political Council, duplicating the parliament as it were, has at once elicited numerous protests from lawyers and politicians (and also from the Solidarity camp) against the formation of extraconstitutional bodies with unclear powers and accountability. The deputies formed a similar opinion about the presidential order regulating the operating guidelines and procedure of the National Defense Committee. The appointment of Secretary of State Slawomir Siwek to the post of permanent emissary of the president at a session of the Council of Ministers gained him the cognomen "The Ear," even among the members of the new cabinet, and was not received favorably. At the same time, certain constitutionalists questioned the president's right to appoint new under-secretaries of state within the Office of the President. To this day, as demonstrated by the budget debate, many deputies and senators believe that the presidential staff is too large and too costly. But we believe that would be easier to accept if that staff were to assure efficient operation of the Presidential Chancellery and Belweder Palace. Actually, however, a contrary impression is arising.

Consider the following few examples:

The Villa on Klonowa Street. The president's staff discovered that a group of former notables are living in that villa and eating and drinking at the state's expense. Andrzej Kozakiewicz, secretary for economic affairs and deputy chief of staff of the Presidential Cabinet, made this fact public and sent letters to the former nomenklatura notifying them that he would make sure that they would depart the premises. Only later the matter became complicated: it turned out that the nomenklatura in no way drank at the expense of the state, that the Chancellery was paying the rent for only one apartment, and that, on moving to the apartment on Klonowa Street, Professor Henryk Jablonski [former head of state], relinquished on behalf of the Office of the Council of Ministers his previous apartment, which was in no way worse, and so on. Of course, the public will not bewail wrongs to people with names like Kruszek or Kliszko, but before "the punishing hand of popular justice," as it used to be said, falls on them, it would at least be worthwhile to

verify the facts, as otherwise the entire propaganda effect of the undertaking might be spoiled.

Subsequently the president received Countess Branicka-Wolska and promised the return to her part of Wilanow.

The Countess disclosed that the president gave her "letters to various institutions [asking them] to expedite her claim," and added that she was "impressed by Lech Walesa's simplicity and sincerity." Soon afterward the Warsaw-Mokotow District Office ruled, "There are no legal foundations for the immediate satisfaction of the claims, backed by the president of the Republic of Poland, of the heirs of Adam Dranicki concerning the recovery of real estate in Wilanow."

A similar response—lack of legal foundations—was elicited by the next spectacular initiative of the president when he resolved to monitor the NIK [Supreme Chamber of Control] with the aid of a special commission headed by Director A. Lawina. (Article in GAZETA WYBORCZA: "Walesa Directs Lawina at the NIK" [play on words: lawina means avalanche]. The former, though still officiating, NIK chairman, General Hupalowski, wrote the Belweder: "Dear Mr. President, I regret to inform you that I cannot take a position on the suggestion that self-criticism within the NIK be conducted by an ad hoc committee. That would be violating the binding legal order," because, to put it briefly, under the established procedure, the NIK is subject to control by the Sejm.

In general, the president has had no luck with the NIK, as demonstrated by the confusion attending his support for the candidacy of Deputy W. Ziolkowska to the chairmanship of the NIK. The matter has been publicized, so we are mentioning it only in order to draw attention to the astonishing independence of judgment displayed by the president's advisors and staff. When the presidential chief of staff takes a position differing from that of the president, this is not some praiseworthy manifestation of pluralism (as presidential spokesman Drzycimski wants to characterize it) but a symptom of an inadmissible insubordination by an official who consequently should resign. This whole affair has greatly compromised the Office of the Presidency (consider the sorry television broadcast with comments by Minister Siwek, which solemnly and sharply denied what the president had affirmed the following day). It could be seen that staffers speaking on behalf of the president did not condescend to ask his opinion and—once again—to verify facts.

Just then another group of presidential advisers, the so-called Advisory Committee issued a declaration opposing the retention of the excess wage tax. It issued that declaration precisely on the day on which the government engaged in hard negotiations with trade unions. In a civilized country, following a presidential declaration (because that was how it could be interpreted), by questioning the essence of a government

policy the prime minister—appointed by the same president—would be expected to immediately resign his post. Fortunately, the words uttered from the environs of the Belweder are not taken too seriously. J. K. Bielecki and L. Balcerowicz did not resign, and they were right; the following day the president telephoned the government press spokesman (?) to inform him that he was supporting the anti-inflationary policy in the sense of supporting the retention of the excess wage tax. Question: By what right does the Presidential Advisory Committee publicize its declaration and position when these conflict, moreover, with the position taken by the president? The president should have immediately disbanded that committee for doing such mischief, because its actions are imperiling the stability of the state. (Incidentally, when we consider the identities of the members of that committee, their political ambitions are hardly surprising considering that they are failed politicians such as Z. Najder, S. Kurowski, A. Maciarczyk....)

But that is still nothing. Concerning the excess wage tax the president himself also has uttered contradictory comments showing how difficult it is for him as a former trade unionist to forsake the role of the people's spokesman for the role of head of state. This was confirmed by the famous presidential radio talk during which he mentioned a proposal that shocked economists, namely, the proposal to "cut prices by 50 or even 100 percent," whereupon, supposedly, we would be twice as well off, or by such comments as that "one-half of Poland belongs to the mafia," that "it's scandalous" that people are earning little," etc. On the very next day A. Miodowicz [head the All-Polish Trade Union Agreement] eagerly supported the proposal to slash the prices in half, fortunately not seriously enough to organize, e.g., strikes or demonstrations in support of the president's initiative. At any rate, Lech Walesa as president has, just as before, rather contributed to instability in this country.

We will not enumerate other such instances. Suffice it merely to mention—because this is of some significance—the president's letter to the Sejm concerning amendments to the Budget Decree, which elicited from Deputy A. Malachowski the sarcastic comment that (once again) "the facts should be checked before writing letters." Following that letter, besides, Minister Siwek offered an apology to the Sejm committee.

Andrzej Micewski, the (briefly) former chief adviser to Lech Walesa, observed in an article published in WOK-ANDA: "Walesa is not at all repelling anyone by his worker-peasant origin. It is rather that people are bothered by his absolute self-confidence, his proneness to talk a blue streak without thinking, his unwillingness to study complexities of matters at hand, or simply to learn. But Walesa has not changed; he has always been like that. I am apprehensive that inasmuch as the former friends and present adversaries of Walesa flattered him so much that in a sense he has become enslaved by their flattery, and his current entourage lack the courage to say no to

the president clearly and firmly." Micewski wrote this article "In Defense of Walesa," and that is how it really should be interpreted.

On observing the actions of the presidential staff one has the impression that L. Walesa is alone, surrounded by dozens of advisers, ministers of state, and officials as he is. The president's people, or at least those with better political qualifications, seem to be more concerned with their personal careers than with their duties; they are exploiting their positions, celebrating their new prominence, often at the expense of the prestige of the president himself. As for other staff members, those who doubtless are loyal and devoted to their boss, they lack the authority and power to influence his conduct. The president's chief of staff and personal secretary, the number one man at the Belweder, is a former chauffeur and bodyguard of L. Walesa (a reminder offered by PRZEGLAD TYGODNIOWY). Without detracting from the merits of Mr. M. Wachowski, it must be said that the duties of the chief of staff in countries with a presidential system are those of one of the most important posts in the state. It is he who decides who can have access to the president, and it is he who coordinates the work of advisers, attends to the public image of the head of state, etc. We fear that, judging from outward manifestations, Mr. Wachowski still has not learned his new role. This also can be said of other newcomers from Gdansk, members of the presidential entourage at the Belweder and the Chancellery, who are "a little world in themselves" and isolate themselves from Warsaw, or, as they nickname it, "Warszawka," which they consider hostile to the president. In that city can be found well-intentioned and competent advisers on any matter, but the president's men are hardly willing to surmount that barrier of mistrust.

Of course, what we consider a series of disturbing faux pas by the presidency cannot be entirely blamed on the president's staff, or even on the president himself. That is because, quite naturally, the presidency as an ideal has collided with the reality.

L. Walesa continues to make good the promises he made during the electoral campaign that he would be a "flying Dutchman" (he will fly with the object of bringing order in every place, he declared on the radio). The anti-Walesa opposition jokes that L. Walesa wants to become the first secretary of the PZPR [Polish United Workers Party], but a more effective one. There is something to it. "We have the goldfish [of the fairy tale]," GAZETA WYBORCZA noted ironically. "It gave the palace [in Wilanow] to one person and the house (on Klonowa Street) to another, and to a third (referring to Deputy Ziolkowska) it promised a job." Of course, one can disregard such animadversions, coming from political adversaries, but there is some point to them.

Even the president of Poland cannot take shortcuts above and beyond the law, although that was one of the illusions implied in [Walesa's electoral] slogan of acceleration.

It is no accident that the inaugural oath and the constitutional duties of the president both mention first of all fidelity to the constitution. This cannot be otherwise. In every country the constitution has some critics of its own and staggers under the baggage of years and is awaiting some or other amendments. The Polish Constitution is to be, perhaps even within this year, completely renovated, but so far it still is binding—and sacred, as otherwise its provisions would be replaced by arbitrariness, willfulness, and transiency of institutional and political categories. There is hardly any need to prove the danger of such a situation in a country with an impaired organizational structure, economy, and social discipline, a country in which many political tensions pulsate that are not comprised and held in check within the organizational framework of strong political parties. The president must understand this, because it is he who provides to other authorities and politicians a bad or good example of respect for the constitution. That is why, to return to the previous examples, if the constitution specifies that “the chairman of the NIK is appointed by the Sejm with the consent of the Senate,” no one, and in particular not the president, has the right to influence that decision. Since the NIK too is “subordinated to the Sejm” under the constitution, not even the president may issue any recommendations to it whatsoever. And since, likewise, the law on the disbanding of the Prasa Workers’ Publishing Cooperative empowers the autonomous Liquidation Commission to decide on the fate of individual weeklies or newspapers, no power in the government, including the president, should write letters recommending some potential buyers to the disfavor of others. Wincenty Witos, the great Polish politician and longtime prime minister, who also was a simple farmer from a peasant school, had been aware of his limitations ensuing from his limited educational background. He was prevented from acting foolishly by his great humility and modesty. Walesa lacks these qualities, and there is nothing we can do about that. But it is possible and necessary to keep him continually informed, to explain and clarify [to him] his constitutional standing and the admissible forms and scope of his actions.

We are speaking of matters fundamental to the new presidency, but this also concerns its style. Waldemar Kuczynski has rightly pointed out in TYGODNIK POWSZECHNY, “It is really incongruous of the head of state to utter sayings like ‘Your health in our throats’ or refer to that workshop at the top.” Elsewhere we read the warranted suggestions that the president should not get involved in adventures such as the one with the miners in front of the Belweder, chase a female employee during a “surprise visit” to the Ursus Tractor Plant, or attend to looking for vacant premises for Jan Pietrzak’s cabaret. The fact that these voices are growing in number merely confirms the belief that the dignity of the presidency and its office should be defended against the president and his staffers.

Lech Walesa can be a good head of government. After all, barely a few score days have passed since he assumed

the presidency, and he was elected for a term of five years. But the beginning of his term can hardly be considered felicitous. Hence the growing number of appeals from people wishing the president well, for restraint, a more careful selection of advisers, deliberation, and above all, action consonant with the law. At the risk of sounding like a broken record let us repeat that the president may influence the nature of law but he may not stand above and beyond it, regardless of his intentions. The former Lech Walesa the trade union leader is no more; there is now Lech Walesa, the president of the Republic of Poland. All the president’s men, and the president himself, should get reconciled to this idea as soon as possible.

We doubt whether the president gives even a cursory glance at POLITYKA, but his associates are highly likely to peruse it. Well, gentlemen, you must take notice that the public is familiar with your names and duties and will never forgive you if you fail to say no when a no is needed and instead say yes unthinkingly just in order not to rock the boat and your careers.

#### Presidential Rebuttal Refuted

91EP0346B Warsaw POLITYKA in Polish No 9,  
2 Mar 91 p 3

[Article by Jerzy Baczynski and Stanislaw Podemski: “A Call From the President”]

[Text] On Wednesday morning 27 February, when as always POLITYKA was being distributed to its first, morning readers, the telephone in the office of its editor in chief rang. The president of the Republic of Poland was calling; he wanted to speak with the authors of “The Loneliness of the President” (POLITYKA, No 9). It so happened that only one of us (Podemski) was present then. He had the pleasure of getting to know Mr. President and having two telephone conversations of 10 minutes each with him.

It must be admitted that such a fast, direct, and personal—without resorting to intermediaries—reaction of Lech Walesa to our article gratifies us as both writers and citizens. It also bids us to revise our apparently hasty view that the president does not read POLITYKA. (The presidential press spokesman even declared that he reads it “from top to bottom.”) We were wrong, and we are pleased to admit it. It was also gratifying to learn personally that the president is not angry, that he does not threaten reporters with whom he does not agree (or whom even he accuses of malice); more even, that he emphasizes his attachment to freedom of the press and his unwillingness to influence in any way through pressure what we write about and how. In a conversation abounding in tense moments, differences in views, and exchange of arguments and polemics, the president did not lose his sense of humor and did not in any way disturb the good partnership of this dialogue. To a reporter who had been working in the journalistic profession for nearly 30 years, and who was three times fired



from his job for writing things that the authorities did not like, this was a veritable deep draught of freedom and democracy. The reader should believe us when we say that we did appreciate that telephone call and that conversational approach, particularly considering that the president failed to convince us, and we failed to convince him. We stuck to our views and parted without achieving a consensus of opinions but apparently on amiable terms.

If we understood Lech Walesa rightly, he believes that the current legal-political system (the new senate, the president, the government, the old "65-percent" Sejm [formula derived from the roundtable agreement], and the old restraints imposed on it by legislation dating back to a past era) is chafing him like a rigid corset—yes, Walesa used precisely this comparison—and is preventing him from achieving rapidly and effectively his objectives as a reformer. ("Please consider that I get up in the morning and start working. I'm an industrious worker.") Since, however, he is continually encountering obstacles, he tries to get them out of the way by available means, draw attention to them, and mobilize public opinion. "Do you really believe," he asked, "that I am unaware that the selection of the NIK chairman is the Sejm's prerogative, and that restoring what was taken away years ago requires changes in legislation?" In a word, the president desires to impose changes on the authorities and force them to act less sluggishly, and at the same time make public opinion aware that he knows and sees everything.

L. Walesa made some bitter remarks about lawyers, and it is difficult not to admit that he is right, because they talk at cross-purposes. Besides, such criticism is centuries old (ever since the times of Erasmus of Rotterdam's "In Praise of Folly," which gives a place of honor to the world of jurisprudence) and can hardly be refuted. However, certain canons of rule of law remain forever inviolable, one of them being that whatever is clearly, lucidly, and incontestably stated in a law may not be violated. And this exactly is where a difference arises between us and our Esteemed Adversary: this is the bone of contention. Let us recapitulate just two instances (we have described many more in our article "The Loneliness of the President"). We believe that the president has gained nothing and lost a great deal in making a promise to the Hranicki family which he could not keep (his secretary wrote the district president: "Your immediate implementation of the claims of the heirs of Adam Branicki is requested"), particularly considering that a day later the concerned minister of state declared that he would not return [to their original owners] 500 nationalized enterprises and 10,000—that being for now the number of the applications submitted—parcels of real estate expropriated by the state years ago. A similar situation arises when the head of state chides the parliament for having forgotten to attend to the finances of local government but shows no concern about whom to deprive of the anyway scanty budget funds in order to allocate them to burgomasters and village heads. He thus

awakens hopes which he cannot fulfill and exacerbates the already existing antagonisms between the authorities and the society. Such haphazard interventions by the president produce the image of a good, wise, and omniscient chief of state as opposed to authorities that are worth little. One can emphasize one's own good looks but not at the expense of pointing to the ugliness of others. The government, the Sejm, and the constitution also are important elements of our statehood.

We understand well (and share) the president's anxiety about the pace of the reforms in Poland, his desire to stir up that stagnant pond which our country so often resembles, but certain things cannot be disregarded just like that. Lech Walesa is like a thoroughbred harnessed to an overloaded horse cart (loaded down with our hopes, helplessness, economic ruin, provinciality, organizational backwardness, and absence of a modern democratic tradition). The noble steed neighs, stamps its hooves, champs at the reins, but the heavy cart prevents him from running ahead. The point is that a horse that previously carried a light saddle is not harnessed to an overloaded platform. Well, L. Walesa the politician who previously was free of legal obligations, tends to forget his new role as the president of the state, the holder of the highest office in the land, the guardian of rights and the constitutional authority, and in this sense he cannot afford any longer taking decisions that cannot be implemented and that can be formally questioned by every burgomaster.

A politician may scandalize, a president may not.

Mr. President, you are ruling a country that has always been hard on its rulers. It was in this country that, during a rather glorious period in Poland's history, more than four centuries ago, the candidate for kingship had been threatened five minutes prior to his coronation: "Unless you swear it, you shall not be king" (this concerned taking the oath of respect for the rights of the nobility). It was in this country that, two centuries later, in a Poland plagued by incursions of foreign enemies, internecine struggles, and wars even, the bishop and writer Ignacy Krasicki declared plainly, looking in the eye of the last Polish monarch, Stanislaw August Poniatowski, "Satire tells the truth when, in disregard of all other considerations, it respects, worships even, the institution, yea, the institution of kingship, too, but does not spare the person." Not only satire but also journalism is nurtured to this day by this critical tradition.

If well-wishers criticize the president, and ever more boldly and publicly at that, they are doing so not out of malice but out of a desire to save the image of the presidency, that dreamed-of image which they would like to see translated into reality. In struggling against Walesa they also struggle for Walesa and for the presidency. The day on which this criticism ceases will be a day of disaster, because good intentions and concern for that image will then be dislodged by an indifference which destroys all. A politician's image survives as long as public opinion remains critically interested in it.

No one in Poland, including the president, is familiar with all the mechanisms and traps ensuing from all possible legislation and the galloping events of the day. Hence also the importance of presidential advisers. It was not our purpose to insult or offend them or to accuse them of ignorance or illwill. Our purpose was to remind them forcefully of the burden of their responsibility not only toward the president, whose term of office will sooner or later expire, but also toward the nation, which remains.

Above we have been most attentive to fulfilling the president's wish to present his rationale, too, but we cannot take back the criticisms we offered in "The Loneliness of the President."

## ROMANIA

### 'Overall Evolution' in Domestic Situation Seen

AU2603221491 Bucharest ROMANIA LIBERA  
in Romanian 22 Mar 91 p 5

[Interview with Marian Munteanu, former president of the Students' League, by Victor Roncea; place and date not given: "Wherever Help Is Needed, I Will Also Be Present"]

[Text] [Roncea] To begin with, we should emphasize that as a result of elections held within the Students' League, we are no longer talking to the president of the Students' League, but to Marian Munteanu, a student in his final year at the Philology Faculty. What should we infer from that?

[Munteanu] I believe everybody agrees that the last year was as full of events as half a century. It is enough.

[Roncea] Through everything you have done during this period—from December 1989 until now—and through your behavior and love for your fellow human beings, you have become a symbol of the struggle for freedom and truth. In this respect, what do you intend to do from now on?

[Munteanu] I tried to behave correctly and to make myself as useful as possible for those around me; I tried to observe the principles for which the people sacrificed themselves in December 1989. I do not intend to change this attitude. If you refer to the fact that I no longer have a position in a student organization—as a matter of fact, I hold no function in any organization—I must say that this is devoid of any relevance. I attach great importance to all actions of any man, regardless of whether he holds a position or not. The most important thing is that everybody should do his duty to the best of his abilities. I will also strive to do the same. Wherever help is needed, I will also be present.

[Roncea] The Romanian people—when I say that, I also include our brothers in the eastern part of Moldova—are currently going through a period of crisis. In your opinion, how will things develop?

[Munteanu] Indeed, the situation is very worrisome—I am particularly referring to the fate of the Romanians still under Soviet occupation. I believe that this aspect should be brought forward more poignantly and that more should be done in this respect. Concerning the domestic situation, I am not all that pessimistic; my impression is that there is an overall evolution, particularly with regard to the people's realization of the situation in which we find ourselves. Of course, this is very important. If people begin to realize and understand more, there is the possibility that this evolution on an intellectual level can lead to a concrete evolution in social, political, and economic life. After all the events of the past year, we have gained something and one should not neglect the fact that, in spite of everything, we have parted with the old structures and the communist system, even if there are still enough practices and attitudes that belong to the past...or that should belong to the past. I say that there is an evolution because it is beginning to dawn on many people, including certain "high" circles, that the only solution is to abandon the structures or the rudiments of structures of the communist system and to speedily rejuvenate the entire mechanism. Of course, many people will say that there is indeed some evolution, but that it is too slow. It is good that there is this evolution...and that it is only up to the people, particularly up to their ability to unite, to make their efforts more efficient. I believe that the only weak point now is our capacity for concrete organization and action.

[Roncea] The conference of the "Students' League" Confederation of Romania ended last Sunday. Apropos the mode of action and organization you referred to, what will this body do?

[Munteanu] I am glad that we have reached this formula, that there is a group of organizations which managed to overcome the stage of endless discussions and concretely implemented this idea. I hope that the students elected to coordinate the activity of this confederation will organize the system of news circulation and will proceed to draft and implement better programs than we have done so far, regarding both the life of students, their professional problems, and the situation of higher education, as well as the adoption of coherent and constructive positions on all aspects of Romanian society. Therefore, professional, social, cultural, but also civic actions! Of course, if that is the decision of the students.

## YUGOSLAVIA

### Markovic To Address Federal Assembly

LD0204150991 Belgrade TANJUG in English  
1359 GMT 2 Apr 91

[Text] Belgrade, April 2 (TANJUG)—Yugoslav Prime Minister Ante Markovic will soon address the Federal

Parliament to propose changes in the country's macro-economic policy and a new concept of a federal budget and budgetary expenditure, Deputy Prime Minister Aleksandar Mitrovic said.

Miran Mejak, the president of the Chamber of Republics and Provinces, today met the heads of the delegations of all federal units, the Yugoslav Parliament and government officials, and said that Markovic might submit the report before the Federal Parliament's chamber of republics and provinces and the federal chamber on April 12.

Markovic would inform the delegates about topical questions on the social, constitutional, political and international aspects of the situation in Yugoslavia.

Mitrovic said the Yugoslav State Presidency, the collective head of state, might also address both chambers of the Federal Parliament this month to set out its views on the political and security situation in the country.

### Report on Closed Serbian Assembly Session

AU0204150291 Ljubljana Radio Slovenia Network  
in Slovene 1330 GMT 2 Apr 91

[Text] At the request of the group of deputies of the Socialist Party of Serbia, an extraordinary session of the Serbian National Assembly is being held behind closed doors.

At the session they are discussing the position of Serbs in Croatia in light of recent events. The deputies started work after the session of the Republican government, at which the government formulated a declaration on a peaceful solution to the Yugoslav crisis. Because the Presidency session is being held behind closed doors it is impossible to obtain any official information. Unofficially, we nevertheless learned that the text of the declaration does not contain a resolution made by the Serbian Autonomous Region of Krajina to accede to the Republic of Serbia. The document supposedly also does not mention the incident in Plitvice.

The deputies should take a stand on the declaration today. As we learned, Slobodan Milosevic, president of the Serbian state, did not take part in the Assembly session. Slobodan Unkovic, president of the Assembly, also did not attend the session as he has been in the Belgrade hospital since yesterday.

### Issue of Ethnic Croats Outside Croatia

91BA0404A Ljubljana DELO in Slovene 9 Mar 91  
p 20

[Article by Goran Moravcek: "The Opening of the Croatian Question"—first paragraph is DELO introduction]

[Text] In view of the increasingly more vocal demands by Serbs that they want to live in one state, Dr. Tudjman

can be expected to soon put the Croatian question on the agenda as well, since almost a million Croats live in other Yugoslav republics.

Most of them are in Bosnia-Herzegovina (about 800,000) and Vojvodina (180,000), and there are also major Croatian "oases" in Montenegrin Primorje and in Kosovo, as well. During the election campaign a year ago, Dr. Tudjman, as the leader of the now ruling Croatian Democratic Community [HDZ], frequently stated that Croatia's western borders were "not natural." As he emphasized, the Bosnia-Herzegovina republic's territory is illogically pushed deep into "Croatia's belly." After the elections, official Croatian policy, probably also under pressure from the antibureaucratic revolution and the barricades on Knin's streets last summer, began to defend the republic's borders convulsively. Croatia's borders on the Drina are now only mentioned by the most extreme Croatian politicians.

The struggle for territory is increasingly more dramatic. The Serbian rebels, who do not recognize the Croatian authorities, control a fourth of the republic's territory. The Croatian police do not have any access to Knin, Benkovac, and Obrovac, where a large number of Croats nevertheless live. In fact, Mile Martić, the head of the Serbian police, commands around 200 Serbian policemen and several hundred reservists who assert that they are prepared to fight the Croatian police. Knin, an extremely important geostrategic area of Croatia, is the weakest point for the defense of Croatian sovereignty. Some people even think that Dr. Tudjman will soon be forced to negotiate—in exchange for Knin, Croatia will demand western Herzegovina. Are such hopes justified?

Jugoslav Kostić, the former president of Vojvodina and a present member of the SFRY Presidency, explained the idea of establishing a Dalmatian Province two years ago.

That fantastic creation, in Serbian-Montenegrin politics, has become a legal form under the name of the Serbian Autonomous Region of Krajina. According to the explanations of Belgrade politicians—both those in power and opposition politicians—the republic borders are administrative ones and should therefore be changed. According to that logic, they should take away a fourth of Croatia's population, with around 200,000 inhabitants. The Belgrade and Knin cartographers really do not recognize republic borders, but they do respect the present opština borders. That is not without reason, since the Gracac opština, in which 10,000 people live, is twice as large in area as Zagreb, where almost a million people live! The Donji Lapac opština has around 7,000 inhabitants, and Vojnić 8,000. Even in "Krajina's" capital, Knin, there are only about 10,000 people. Even the town of Krusevo, with a majority Croatian population, is larger in terms of the number of residents than the opština center Obrovac, which is inhabited primarily by Serbs. In Benkovac, which the leader of the Croatian Serbs, Dr. Milan Babić, often calls the "Serbian rear," almost half of the population is Croatian.

The Serbian Autonomous Region of Krajina, in which a fourth of the inhabitants are Croatian, by no means solves the "Serbian question" in Croatia, since a good 500,000 Serbs do not live in Krajina, but rather in other parts of the republic. The same is true of Bosnia. The large opstinas in terms of the number of inhabitants, such as Tuzla or Zenica, where around 120,000 and 130,000 people live, respectively, are two or even three times smaller than the western Bosnian opstinas with a Serbian majority population, which want to join the "Krajina." In Petrinja, Grubisno Polje, Beli Manastir, Vukovar, Gospic, Slun, and Vrbovski, the majority population is Croatian, but the Serbs in those opstinas, even though they are a minority, want to join the "Krajina."

With these and similar facts, analysts of the political situation in Croatia prove that the goal of "Western Serbia" or "Krajina" is not solving the "Serbian question," but rather the destruction of Croatian sovereignty and the collapse of Bosnia-Herzegovina. It seems that Croatia, which is now sufficiently nationally homogenized and rather well armed and politically "hardened," is changing its restrained policy concerning Knin. The statements of some politicians that "Knin will soon fall," the first barricades in Croatian towns, and the local news coverage about how the Croatian population of Krajina is "threatened," indicate that Zagreb will try to suppress the Knin resistance by force.

Dr. Tudjman is now still trying to "bring the Serbs to their senses" without coercion. What will happen if the negotiations about the country's future are over? It is clear that the Croats in Bosnia-Herzegovina, of whom there are about 800,000, in that case will not consent peacefully to living outside Croatia. That people are the "ethnically purest" in western Herzegovina—in fact, about 200,000 Croats live in nine opstinas there. Grude, Posusje, Citluk, Listica (Siroki Brijeg), Ljubuski, and Neum are towns with an exclusively Croatian population, and the inhabitants of Prozor, Capljina, and Mostar are also mostly Croatian.

Croatia officially recognizes the sovereignty of "Herceg-Bosnia," as Bosnia-Herzegovina is more and more often called here, but it is nevertheless certain that if it collapses, the western Croatian borders will become questionable. In fact, neither the Serbs nor the Croats will be satisfied with them. If the Croatian question is resolved in such a way that western Herzegovina is annexed to that republic, then around 600,000 Bosnia-Herzegovina Croats would remain outside the "mother country."

The uncertainty of the outcome of the current political crisis in the country is also shown by the fact that the proposed solutions for the Serbian question by no means solve the Croatian national question. That is why peace between Serbs and Croats would be questionable even if the Serbs managed—either by fair means or foul—to force the establishment of "Western Serbia" or "Krajina."

If the crisis continues to intensify, one can expect that the Croatian side in the Yugoslav negotiations will raise the question of Serbia's borders in Vojvodina. Specifically, they are taking into account the fact that about 180,000 Croats are living in the area of the former Yugoslav autonomous province and the present component of "united Serbia." The Vojvodina Croats, who are not yet erecting barricades around their towns and villages, although those are not ruled out, maintain that they have been exposed to forcible assimilation. For instance, in the northern part of Backa there have been fewer and fewer Croats from year to year—in the period after World War II about 30,000 members of that people "disappeared." For instance, the Subotica newspaper HRVATSKA RIJEC became SUBOTICKE NOVINE, the Croatian National Theater in that town was renamed the National Theater, and we could list several other Croatian cultural institutions whose names were changed after the war.

If the Yugoslav republics separated, the Croatian question would remain open in Srem and Montenegro. Is Boka Kotorska Croatian territory? Such questions have become more and more frequent lately. The Croatian Party of Law dreams about a Greater Croatia, about Zemun as a Croatian town, and about western borders on the Drina river. Dr. Dusan Zelenbaba, one of the Serbian leaders in Croatia, thinks that Serbia, with the help of the Yugoslav People's Army, could easily win a war against the "Ustase," thus settling the Serbian question as well. Those and similar political errors are especially dangerous, particularly since the extremists on the Croatian side are also convinced that Serbs and Croats can only negotiate over cocked rifles. Serbian and Croatian extremists forget that their peoples will not be the only ones to decide on the fate of the country, and on war or peace. In the disputed areas, especially in Bosnia-Herzegovina, politically aware Moslems—the Democratic Action Party has more than 1.2 million members—are anything but political puppets. That is why a future agreement on a federation, or confederation, or separation has to solve not only the Serbian or Croatian question, but also the Moslem question. Otherwise, there will be more and more political problems, so that even a possible civil war or military intervention will not be able to cope with them. The great difficulty in Yugoslavia's current interethnic relations is that feelings and threats have almost completely prevailed over political reason, and the struggle for territory over real national interests.

#### Survey Finds Bias in Croatian, Serbian Media

91BA0413A Belgrade BORBA in Serbo-Croatian  
14, 15 Mar 91

[Series of articles by research team of the Institute for Political Studies: Srbobran Brankovic, M.A., project designer and team leader, and project participants Slobodan Antonic, M.A., Nevenka Jestic, M.A., Vinko Djuric, and Slavica Zivanovic]

[14 Mar p 11]

[Text]

### Black and White in Color

At the meeting of the SFRY Presidency held recently in Sarajevo, there was talk of breaking off the "media warfare" between the republics and their leaderships. A bit later, there began in Serbia the first serious conflict between the government and the opposition in the postelection period, specifically over the issue of the opposition's demand for guarantees of the political disinterest of the "media in Serbia."

Those were two occasions for analyzing the content of mass-media programs in Serbia and Croatia.

The analysis covered the news programs with the greatest impact carried by TV Belgrade [TVB] and Croatian TV [HTV]—the news programs of those studios at 1930 hours on 6, 7, and 8 March 1991, and the daily newspapers POLITIKA and VJESNIK on those same days. The analysis covered two topics: Serb-Croat relations and the relation between the government and the opposition. The focus of this research, then, was on media coverage of these two topics in the two republics, as represented by those media which have the greatest impact in shaping the political consciousness of the public.

The purpose of the study was to establish whether there is a difference in the treatment of these topics, what was the nature of that difference, of what did it consist, and how large was it?

The basic units of the analysis were expressions or phrases which in themselves or in context conveyed a positive or negative coloring of the events, aspects, and personalities about which these media informed their public. The items are classified in three groups: 1) news reports; 2) news commentary; and 3) direct transmission of the statements, positions, and announcements of the various participants in political events or the airing of comments from elsewhere in the media.

The analysis of the content of the coverage of the mass media in Serbia and Croatia was done, as is evident, on a sample, because the total material (the total content of the coverage by all the media in the two republics) is so large that its analysis is impossible for practical reasons. The media and topics were chosen deliberately—those media were chosen which have the greatest influence on the shaping of public opinion and those topics (Serb-Croat relations and the relation between the government and the opposition) whose treatment in the media has evoked the greatest objections and accusations of bias.

In selection of the sample units, however, the sample is random. The dates of the news programs and newspaper issues were chosen 10 days in advance, during the phase of designing the project. Because events cannot be predicted in advance (nor, therefore, the content of media reports on them), it is clear that this approach precludes

any subjectivity on the part of the researcher in choosing the sample units, thereby eliminating his possible influence on the results of the research.

Our press recently carried an analysis of the way the British press covered the opposing countries in the Gulf war, and soon afterward a similar analysis appeared in our country of the writing of the Croatian and Serbian press about the leading figures of Yugoslavia, Serbia, and Croatia. In both cases, there was merely a comparative presentation of the most characteristic expressions used by the two sides in the conflict in referring to themselves and to their opponents.

But the mere selection of antipodal terms used for the various sides in this conflict merely illustrates certain characteristics of the "media warfare," but it does not provide objective information about the media's degree of bias. To obtain such information, we must have figures on the number and frequency of such qualifiers, their frequency relative to neutral terms and contexts, and also the ratio between positive and negative colorings which the various media give to the same things.

The basic characteristic of the media content analyzed was the very high degree of coloring. In 72 percent of the cases in which we examined these topics, some coloring was given to the subject of discussion! (this is the average for all four media, the percentages were close for all of them). This is an extremely high percentage when we bear in mind that those 28 percent also include those reports which usually could not have been colored in any case (for example, the time and place when some meeting is being held, the participants, the date of some event, and other similar information).

But in spite of this coloring, these reports are mostly black and white, and that is their other characteristic.

Thus, in its three news programs HTV used 93 qualifiers concerning Serbs\*—of which only four were positive, and all of 89 were negative! To make this one-sidedness still clearer, of those four positive qualifiers, three were in the group of information merely being passed on (attitudes, statements, and announcements not coming from the editorial staff).

At the same time, HTV uttered 49 qualifiers concerning Croats, of which only nine were negative (all were broadcast), while exactly 40 were positive.

On the other side, TV Belgrade used 70 qualifiers concerning Croats, and all 70 were negative. The main news program of this studio used 15 qualifiers concerning Serbs, of which 12 were positive and three were negative and were also broadcast.

The similarity of the diagram is obvious, and because we are talking about television, the term we might use to cover both graphs is "black and white in color."

Of course, when two media speak in black and white and in completely opposite directions about the same thing

(Serb-Croat relations and events, aspects, and personalities related to them), this still does not mean that both media are biased because, such a conclusion would be premised on the notion that the truth necessarily is in the middle, which, of course, need not be the case. It is theoretically possible that the topic itself contains those ("black and white") characteristics and that one medium is completely right, and the other completely wrong. In order to estimate how realistic that possibility was, we would have had to undertake to evaluate the characteristics of the topic itself (Serb-Croat relations), which is not a topic of this study. We confine ourselves, then, merely to the supposition that this possibility is not very likely.

#### Footnote

\* We intentionally referred to these qualifiers as qualifiers "concerning the Serbs" and "concerning the Croats" referring to everything reported that had to do with the Serbs because the media themselves resort to this frequently astounding oversimplification by using the names "Serbs" and "Croats" as catchalls to include the people and institutions of government, the various political parties, participants in rallies, various groups, etc.

[15 Mar p 10]

[Text]

#### Bias Is the Guidepost

To evaluate the degree of media bias, we can start with the following premise: If these media are unbiased toward a topic in their own activity (news of Serb-Croat relations), the qualifiers applied to that topic (the ratio between positive and negative qualifiers) would be approximately the same over a long series. This premise also includes another assumption that when the number of cases is large, errors in one direction or the other cancel out each other.

We tested this assumption with the example of the way the two media covered a neutral topic where there were no reasons for bias. We took as an example of such a topic the weather in Yugoslavia which the two news programs report on. The qualifiers were again classified into positive (warm, sunny, clear, beautiful, etc.) and negative (cold, rainy, cloudy, bad, etc.), in accordance with the customary conception of "good" and "bad" weather.

Although the number of qualifiers used is very small (a total of 17), it turned out that the ratio between positive and negative qualifiers was approximately the same in the two studios: This ratio was 2:1 for HTV and 1.75:1 for TVB.

A similar comparison of qualifiers concerning Serbs or Croats, however, will show an immense difference. The ratio between positive and negative qualifiers concerning Serbs is 4:1 for TVB and 1:22.5 for HTV. The

ratio between positive and negative qualifiers concerning Croats on TVB could not be calculated because not a single positive qualifier was recorded, and there were 70 negative ones. On HTV, this ratio was 4.4:1. The differences, as is evident, are diametrically opposed.

We should add here that qualifiers concerning the Yugoslav People's Army also differ in the same way (diametrically opposite). While over TV Belgrade there were nine positive and not a single negative, over HTV there were 25 negative and only one positive, and that one was in a report being passed on.

In the context of the dramatic and tragic events concerning Television Belgrade, there is an interesting ratio between positive and negative qualifiers concerning the opposition and the authorities in Serbia used in that studio's main news program on the three days referred to. That program used 126 qualifiers concerning the opposition, of which 120 were negative (95.2 percent) and six positive (4.8 percent). All six positive qualifiers were broadcast.

At the same time, 87 qualifiers were used concerning the government (including the SPS [Socialist Party of Serbia] as the party in power), 77 of which were positive (88.5 percent) and 10 negative (11.5 percent) (again, all 10 were broadcast). Of the 77 positive qualifiers concerning the authorities, 25 applied to the SPS. There were no negative qualifiers concerning the SPS.

The ratio between positive and negative qualifiers was 7.7:1 concerning the authorities, and the ratio between positive and negative qualifiers concerning the opposition was 1:20.

This oppositeness in approach was also displayed almost completely by the two most influential daily newspapers—VJESNIK and POLITIKA. On those three days, VJESNIK carried a total of 1,395 negative qualifiers concerning Serbs and only 27 positive (21 of them were broadcast). At the same time, it carried 330 positive qualifiers concerning Croats and 57 negative qualifiers.

POLITIKA, on the other hand, carried 597 negative qualifiers concerning Croats and 21 positive (all broadcast). It carried 141 positive qualifiers and 24 negative qualifiers concerning Serbs.

The ratio between positive and negative qualifiers in VJESNIK was 5.7:1 concerning Croats and 1:56.7 concerning Serbs.

The ratio of positive to negative qualifiers in POLITIKA was 5.8:1 concerning Serbs and 1:28.4 concerning Croats.

An analysis of these numbers shows two things: First, there is a markedly high (almost complete) bias of the media in the treatment of Serb-Croat relations, and in the case of Television Belgrade in the treatment of the relations between the authorities and the opposition as well. This bias is manifested in the creation of a black-and-white picture of reality in which positive attributes

are given to one's own side and negative to the opposing side. Thus, VJESNIK and HTV use, for example, the following qualifiers concerning Serbs: Belgrade adventurers, the Serbian expansionist circus, the blockhead-revolutionaries, maniacal persistence and maximum heedlessness, explosively destructive chemocidal [as published] policy, the most cruel outrage, a mythological avalanche of lies, Serbian National-Bolshevism, slaves to an idea which not only has no prospects for realization, but inevitably leaves permanent mental consequences in those who depend on it, a harangue against the Croatian people unprecedented in history up to this point, a fleeting moment in the great scenario which carefully chooses where and when the (Serbian) people is supposed to "happen," dogmatic communist elements, extreme primitivism, collective paranoia, fantasies from the Serbian anti-Croat staff headquarters, the goal of pillorying the Croatian state as much as possible for the umpteenth time, the special warfare being waged against Croatia, past masters at special warfare, and so on.

Concerning Croats, on the other hand, terms with a different coloring are used: profound democratic changes in Croatia, the democratic government, the young Croatian democracy, and so on.

POLITIKA and TV Belgrade do not lag far behind the Croatian side in their negative qualifiers: the aggressive policy of the HDZ [Croatian Democratic Community], psychological warfare against the Serbs, billy-club democracy, the manipulated Croatian public, the malicious assertion from the northwest, and so on.

The range of qualifiers concerning the opposition used by TV Belgrade during the period covered by the analysis is also interesting. According to the editors of that studio and those who sent in telegrams of support (to Television Belgrade itself), Vuk Draskovic is an anarchist who is tearing down things, he is playing with the destiny of the Serbian people, he wants Serbian blood to be shed, he utters open threats, he wants to provoke violence and a threat to security, violent overthrow of the government in Serbia, he is a participant in the HDZ scenario for destroying Yugoslavia and Serbia, and so on.

At the same time, the Socialist Party of Serbia is the strongest left-wing party in the country, one of the largest and best-organized parties of the left, it is working to resolve the economic and social difficulties and to stabilize the situation in Kosovo, it favors development and democracy, it guarantees ethnic equality, and so on.

Another essential characteristic of the results of this analysis is that in all cases negative qualifiers outweigh positive qualifiers convincingly. This is easy to see from

diagrams showing that the left or negative pole is always convincingly the stronger one.

This means, first, that in the famous media warfare incomparably greater attention is being paid to the opponent than to one's own side and its allies, and second, that this "attention" consists of "beating" the opponent unsparingly.

The black-and-white outlook mentioned earlier shows that public communications is operating in an extremely reduced and selected value system which divides everyone into enemies and right-thinking people.

This system of evaluation has been imprinted for decades in the mental structure of citizens newly come of age, and it is an ideal basis for this kind of policy on the part of the mass media.

But we might rightly ask why there is such a convincing predominance of negative qualifiers in the programs of the mass media and how this comes to be possible?

It is above all a demonstration of the complete powerlessness of the political elites that run the mass media to offer the voters and society a program for overcoming the grave material and spiritual crisis of society. Satanization of opponents, then, is the product of a situation in which the holders of power have nothing constructive to offer, and they are compelled to derive their political supremacy not from the commitment of the citizenry to what is best, but to what is least bad. Absolute control of the mass media is something taken for granted if this kind of manipulation is to be possible at all.

#### **Croatian TV Cited on Plitvice Meeting**

*LD0204201891 Belgrade TANJUG Domestic Service in Serbo-Croatian 1830 GMT 2 Apr 91*

[Text] Zagreb, 2 Apr (TANJUG)—Citing a statement by Milan Brezak, Croatian assistant minister of internal affairs, Croatian television reported in its news bulletin tonight that talks are under way in Plitvice between General Andrija Reseta, assistant commander of the 5th Army Area; Josip Perkovic, Croatian assistant minister of defense; and Vice Vukojevic, Croatian assistant minister of internal affairs.

The public will be informed in due course about the results of the talks, it was said. According to Croatian television, the commitments stemming from the Yugoslav Presidency and Croatian National Defense Council conclusions are being sorted out during these talks.

"The meeting is significant in view of the presence of Yugoslav People's Army units in Plitvice, on the territory of the Croatian Republic, and especially in view of the differing conclusions of the Yugoslav Presidency and of the Croatian National Defense Council," Croatian television said in its news report.

## HUNGARY

### Soviet Military Property Transfer Status

91CH0419A Kecskemet PETOFI NEPE in Hungarian  
4 Jan 91 p 5

[Interview with Imre Szeman, Sequestered State Property Management and Utilization Institute Bacs-Kiskun, and Csongrad County representative, by Gabor Gemes; place and date not given: "They Guard and Protect Several Billion Forints' Worth of Assets; Apartments, Barracks, Central Heating Units, Warehouses From the Soviet Army"—first paragraph is PETOFI NEPE introduction]

[Text] The Finance Ministry established the Sequestered State Property Management and Utilization Institute to accept, guard, and preserve the condition of buildings transferred by the withdrawing Soviet military units. The organization's functions include cooperation with explosives experts and chemical protection units, but they must disinfect the buildings and exterminate roaches in these buildings on their own. They must also see to it that public health and environmental protection functions are being performed. We asked Imre Szeman, the Institute's Bacs-Kiskun and Csongrad County representative to respond to our questions.

[Gemes] How many barracks, housing units, warehouses, did you take over from the home bound Soviet troops, and what is the approximate value of these buildings?

[Szeman] We received 389 buildings of various sizes in the county. Their combined size amounts to 779,000 cubic meters of space. Within this overall volume we received 1,236 housing units, 11 barracks, and within those, 25 buildings which housed enlisted men. We also received 100 various size warehouses and eight kitchens. The total area occupied by barracks, shooting ranges and training courses exceeds 4,350 hectares. A modern military airfield and a helicopter base are among the transferred facilities. One can only estimate the value of the transferred buildings. It amounts to several billion forints. I will mention here that in addition to the above, we also received two schools, two nursery schools, six ABC department stores and 10 central heating units.

[Gemes] When did the first and last transfers take place, how does such transfer take place, and where do we find such facilities in the county?

[Szeman] The first transfer occurred on 9 June in Kalocsa. At that time we received an officers' housing development. This year we signed the last memorandum of transfer in Kiskunhalas. In Kalocsa, Kiskunhalas, Kiskunmajsa, and in Orgovany the transfer of all barracks and military facilities is complete, but from the standpoint of guarding and preserving the condition of facilities, the shooting range at Kunszentmiklos and the military strategic airfield at Janoshalma are also under our jurisdiction. The rules of transfer are strict. A

delegate of the Soviet army transfers the facilities to a designated officer of the Hungarian Honved Forces. The Hungarian army immediately transfers everything that it does not claim to us. The property thus becomes sequestered state property. In general, they do not claim any of the bases. From a practical standpoint we have already become involved prior to the transfer, we inspect the facilities and assess the premises.

[Gemes] What is the technical condition of the transferred facilities?

[Szeman] The useful condition of these facilities varies between 10 percent and 80 percent. One may easily draw conclusions on the basis of this statement. From a practical standpoint, useful conditions within the range of 40 percent and 80 percent mean that the building may still be used. Unfortunately, most of the transferred buildings reflect conditions of between 40 percent and 50 percent. After a thorough technical inspection of public utilities, electric wiring, water, and gas lines, the housing units could be rendered inhabitable at a cost of between 200,000 and 300,000 forints. I need not tell you that buildings in the 10-40 percent range could be used only as building material.

[Gemes] Who guards the vacant barracks, and what is the related cost?

[Szeman] The guard unit is composed of retired soldiers, policemen, formerly unemployed persons and civilian retirees. The sole selection criterion for guards is a record of past military duty. In Orgovany and in Kiskunmajsa for instance, the guard unit is exclusively composed of civilian persons. The performance of guard duty is based on rules, the guards wear uniforms, their weapons are black jacks, gas spray, and guard dogs. I would like to stress that all of these are defensive weapons to protect the guards. In addition, radios help the guards to communicate. The guards are paid on an hourly basis. Following a 24 hour shift they have 48 hours off, and the gross hourly wage amounts to 70 forints. Work is performed on a contractual basis, i.e., they do not accumulate any leave or other benefits.

[Gemes] What concerns exist relative to the guarding function and to the protection of the condition of these facilities?

[Szeman] Particularly during the initial period we were not satisfied with the guarding function. Certain persons manifested great "interest" in these facilities and attempted to enter. We were fortunate enough to be able to quickly reinforce the guard. Their action and their conduct prompted these questionable elements to retreat. A characteristic example from Kiskunmajsa: An hour after transferring a building the guards removed two men from the furnace of the central heating unit. They tried to dismantle some valuable component parts. Many feel that these barracks are gold mines. This is true on occasion. Some rather valuable building equipment and component parts may be found. Unfortunately, our guards work under primitive conditions. In most places



the electricity has to be cut off and the water has to be turned off because these utilities were not installed according to Hungarian standards. We experience very many problems with the preservation of the condition of these facilities, because it is our job to unclog sewage lines, repair storm damage, and clean the gutters. We have no funds for the preservation of the condition of buildings. We request money from Budapest to perform the repairs, but in reality, they provide us money for the most needed repairs only. We purposely recruited our guards from among people who formerly served as civilian employees in these barracks. They are familiar with the facilities.

[Gemes] Have you sold any of the transferred assets?

[Szeman] No. We have not reached that point, because the government has yet to make a decision. Some preliminary assessment took place, rosters of persons interested in buying these facilities were prepared, but sale of the institution was not authorized. We made several recommendations for the demolition of small buildings and of buildings that were in ruins, but received no permission in this regard. It would be beneficial to sell these facilities as soon as possible because their condition deteriorates day after day. Expressions of interest? Very many entrepreneurs come to us. We show to them a given barracks or part of a barracks, and we tell them the appraised value based on our calculations. We cannot do more than that.

[Gemes] When will the withdrawal of Soviet troops be complete in the county?

[Szeman] In Kecskemet the transfer of the central barracks at Homokbanya, the command center at Korhanka, the laundry, and the housing development on Lanchid Street will begin in 1991. We will already be busy with the transfer of the second part of the Erzsebet Barracks on 4 January. In Bacs-Kiskun County the final act will involve the transfer of the Bocsa training base. We would like to begin that work during the first half of May. From a practical standpoint, no Soviet soldiers will be present in Bacs-Kiskun as of the second half of May.

## POLAND

### Description of New National Security Council

91EP0333B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 6 Feb 91 pp 1-2

[Article by PAP: "What Is the Format of the National Security Council?"]

[Text] The inaugural meeting of the National Security Council will be held very shortly. [Former] minister of State in the Presidential Chancellery Jacek Merkel told a PAP [Polish Press Agency] correspondent: "We have come to the conclusion that the National Defense Committee may be modified without legislative changes so

that it will play the role of a National Security Council similar to the institutions operating in the United States and France."

The prime minister, the minister of state, and the heads of establishments which are of key significance for the security of the country will belong to the council headed by the president. The minister of foreign affairs will be deputy chairman of the council. Jacek Merkel stated: "This will be a circle of people who, by virtue of the positions they hold, are entitled to make decisions in the name of the state. Problems of defense and security, interpreted in military terms, cannot be separated from issues concerning the economy of our country, its industry, and finance. This is why these ministries will also be represented in the council. Poland must pursue a single foreign policy. It is necessary for the views of all the people making decisions on the security of the state to be consistent, and especially [for those of] the Belweder and the government to be consistent."

The council will meet every two months, or more often depending on the need and the development of the situation. It will handle matters of strategic significance for national security and ways to counteract this threat.

"What kind of role does the president envision for you in this council?"

"That of a person who acts and speaks on behalf of the president in agreement with the prime minister, and who coordinates the tasks of the security and defense of our country to be accomplished by the ministries whose responsibility it is."

[Former] minister Jacek Merkel confirmed the existence of a crisis headquarters which gathered for the first time in Warsaw on the night the war in the Persian Gulf broke out. He said: "For Poland, terrorism is the greatest threat entailed by the war in the Persian Gulf. We monitor this danger closely and undertake preventive actions."

The [former] minister of state said that "in the opinion of the president and members of the government, we should strive to reduce compulsory military service to 12 months. We would like to introduce a shorter, but comprehensive service based on this assumption, without exempting from this service young farmers, men who have just gotten married, sole providers for their families, and so on.

"The system to date spawns abuse. Marriages are frequently contracted for the sole purpose of young men avoiding the duty of army service. Farmers appear en masse in order to have a legal right to deferment. At the same time, the intention is to increasingly switch to a system of professional and contract cadres. This would involve primarily the positions in the army which require certain special knowledge and technical skills. This does not mean that we wish to create a professional army in Poland. Countries with such armies are the exception in the world. All other countries have, to some

degree, an army of conscripts. This arrangement provides a better guarantee of this being a national army, that is, an army consisting of citizens rather than people entirely separated and isolated from society."

Minister Jacek Merkel announced that an agreement exists between the ministers of national defense and internal affairs regarding new guidelines for the spring draft. According to this agreement, a recruit may enter service in police units based on his voluntary consent.

In the opinion of Jacek Merkel, the idea of the president to put joint military-police patrols on the streets of Polish cities could apply for a very short period of time, for example, until the already mentioned spring draft. The very presence of combined garrison and police patrols in the cities could make criminal activity difficult or altogether impossible. At any rate, this is not the target arrangement, and this is not the intent of the president. [Former] minister Jacek Merkel summed up: "I believe that our society understands the idea of Lech Walesa's, aimed at ensuring security for the people quickly and effectively, without waiting for changes which take time."

#### Modifications Planned for Military Education

91EP0334A Warsaw ZOLNIERZ POLSKI in Polish  
No 4, 27 Jan 91 p 5

[Interview with Colonel Jozef Jura, deputy chief of the military education directorate, GZSB [expansion unknown], by Dariusz Otto under the rubric "Interview of the Week"; place and date not given: "A Revolution From the Top Down"]

[Text] [Otto] Something like the training of Polish warrant officers on French, German, and English exercise grounds was only a few months ago inconceivable.

[Jura] The world is changing very rapidly, practically in every field—political, economic, military, moral. Solutions which had seemed impossible barely half a year ago are currently becoming realistic. Such solutions surely also include the officer exchange or the foreign training of our warrant officers. To be sure, most such projects are still in the planning stage, but the growing cooperation with the French, German, British, or Austrian armies inspires optimism.

At the moment it is difficult to define the scope and nature of contacts between Polish military schools and their foreign counterparts. Direct cooperation has already been established with the United States Military Academy at West Point as well as with Britain's Royal Naval Academy. Cadets from our higher officer schools will also participate in the Symposium on the Training of Officers for Platoon Command being organized by the Higher Land Army Officer School of Sweden.

These facts are to be seen as the beginnings, as a first of possible solutions. Of course, the already traditional contacts with other armies of Central Europe shall be preserved.

[Otto] It is now said that graduates of officer schools will no longer be awarded the degree of "Engineer Commander." Instead, they will be called "Management Organization Engineers." Is this merely an advertising gimmick for attracting young people to military schools?

[Jura] What is command other than organization and management under particular, military circumstances? However, preparations for thus changing the professional title are being made solely at the Higher Officer School of Mechanized Troops in Wroclaw, for that is a classical school of commanders. Considerable assistance in achieving this objective has been promised by the Wroclaw Polytechnic.

At the other higher officer schools curriculums are being currently reassessed. That is because the point is to modify curriculums so that, while retaining the requirements of the military profession, they would warrant awarding degrees in the fields included in the national list of professions. For it turns out that a partial change in the training curriculum will serve to replace the degree of "Engineer Commander" of, e.g., communication troops, with "Telecommunications Engineer" or "Communications Systems Engineer." Of course, degrees conferred by military schools will vary, because their fields of study vary.

Thus, this is not an advertising gimmick but a response to the changes taking place in the military. This ensues above all from thinking about the future, thinking in terms of national interest. That is because the machinery of administrative duress, with its limitations on career choices, is slowly grinding to a halt.

[Otto] I believe that in the very near future major changes in the instructional curriculums of the schools administered by the Ministry of National Defense are to be expected. Which changes will be given priority?

[Jura] At the higher officer schools many major changes have already been introduced in the training programs mandatory as of the beginning of the last academic year. This concerns in particular augmenting the share of academic subjects to 35 from 21 percent. As for the changes you are asking about, these are linked to a further expansion of instruction in general subjects, to even as much as 50 percent—of course, at the expense of specialist knowledge. At the same time, qualitative changes in the structure of courses of instruction will take place.

The aforementioned reassessment of curriculums is intended to make it possible to restructure them so as to meet the requirements of the Ministry of National Education for earning engineering degrees in specific fields.

Along with the changes in curriculums, it is expected that soon now examinations for admission to military schools will be modified. Emphasis will be placed not so much on the substantive background of the applicants, since it is about the same for every high school graduate, as on his predispositions for the military profession. I am referring to such indispensable predispositions as imagination, courage, foresight, deductive reasoning, a sense of responsibility, etc. Assessment of these predispositions will be made possible by a corresponding array of tests, on using computers to analyze the answers.

[Otto] So the fate of the testees will hinge on the computer, will not it?

[Jura] No, the computer will be merely a tool for ranking the test answers in accordance with the adopted criteria. In effect, lists of testees according to indicators of the aforementioned predispositions will be developed. This will change appreciably admission procedures at military schools. Such a solution is even now being tested at higher officer schools. However, this approach can fully prove its worth only if several candidates apply for the same vacancy.

[Otto] The number of applicants depends on the prestige of the school and the prospects for future employment after graduation. Given the trend toward disarmament and reductions of military personnel, military schools can hardly be considered very popular.

[Jura] You are right, of course, but only partially. Measures are being taken to make officer schools more attractive, to match their educational levels [to those of civilian higher schools] and at the same time to make military studies less onerous. I refer here to the abandonment of the past misconceived application of military rigors that sometimes took the form of unjustified restrictions on weekend and evening passes as well as on vacation passes, requirements of extra service in a military unit, or the prohibition against wearing mufti. If we also consider the anticipated further reduction in the number of military schools, the problem of their popularity may look less pessimistic.

[Otto] Which military schools will be shut down in the near future?

[Jura] In the near future, two: the Higher Officer Automotive School and the Higher Officer Armored Troops School. But this does not mean that these two indispensable military fields of study will be dropped. Instead, their teaching will be transferred to other military schools, such as the Military Technical Academy or the Higher Officer School of Mechanized Troops.

It appears, however, that in view of the appreciable numerical reduction in our military and the anticipated possibility of the introduction of contractual service, the process of the continued integration of military schools is becoming a necessity. But that requires institutional solutions assuring continuity of training and preventing the efflux of highly qualified instructors.

[Otto] On the one hand, concern for a high level of instruction is being proclaimed, but on the other the officers assigned to [teaching at] military schools continue to be individuals who have not proved themselves while serving in military units.

[Jura] What you say applies to only some of such officers. Besides, that belongs in the past, although military schools continue to be subordinated to a small number of decisionmakers. The decisive voice in personnel matters belonged to the commander of the military district in whose territory a given school operated. It was natural to retain the best officers in the military units and to give up those who did not show leadership abilities. Thus in the past, weaker officers were sometimes assigned as instructors to military schools. For the last two years, however, within the Personnel Department of the Ministry of National Defense there has been operating a special section focusing on the identification of optimal candidates for military instructors and their assignment to teaching at military schools. The positive effects of the activity of that section already are becoming tangible.

[Otto] Readers of *ZOLNIERZ POLSKI* have been asking whether the decrease in the number of applicants to higher officer schools might not result in opening the doors of these schools to women.

[Jura] The fact that the interest of males in the military profession is declining does not mean that we are going to make up for the shortages by recruiting women.

Still, the possibility of professional service by women is envisaged in the draft law on the military service of the career military submitted to the Sejm. That is why, on the whole, it would be premature to answer your question, since the military training of women would be a corollary of legislative decisions.

[Otto] Thank you for the interview.

### **Low Production by Military Hardware Industry**

91EP0333A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 16-17 Feb 91 p 1

[Article by Krzysztof Szczesniak: "The Armaments Industry Is Asking What Next? Plants Are Going Civilian"]

[Text] As recently as three years ago, this was a prosperous industry. The Warsaw Treaty kept ordering still more tanks, personnel carriers, and radios. The rules of the game were also clear, so much production capacity had to be continuously prepared for the possibility of war, and the cost of this military preparedness was borne by the state. From time to time, they succeeded in signing a favorable contract with an oil-producing state for the delivery of, for example, tanks.

Could this bonanza continue? Many employees of armament enterprises are asking themselves this question. It

was and is a public secret that the cost of production at these enterprises is high; however, this was not the object. Likewise, the possibility of bankruptcy at some point was not reckoned with.

This illusion survived for a very, very long time. As recently as December of last year, a circular instruction was sent to the enterprises by the chief of the armed forces, General W. Jaruzelski, which obligated the companies to provide services for, in general terms, the defense capability of the country. It is hard to find out how this came about. After all, as the Ministry of Industry explains, by this time recommendations had already been conveyed to all enterprises saying that they should switch to market-oriented products, and that they should not count on a miracle.

Of course, an embargo on the export of weapons to Iraq and other states taking part in the conflict was the final straw. When this decision was made, the Combine of Mechanical Equipment Bumar was about to ship yet another batch of tanks. It did not ship the tanks, and it did not get paid. Therefore, it suffered a loss. The Ministry of National Defense bought 62 tanks for almost 200 billion zlotys virtually out of pity, despite the fact that at the time it had the money earmarked for something else.

This improved the financial status of the company for a while, but not for long. Unfortunately, civilian products which Bumar started to turn out were also unsuccessful. Domestic enterprises did not buy construction cranes, and mining likewise did not have enough money for excavators. At this point, Krupp came along and offered to place an order with Bumar for manufacturing certain elements. The plant wants to take advantage of this offer, but it needs to have a clear-cut and lucid situation [as published].

The Stalowa Wola Combine is another major player. The situation is the same; armored carriers were not shipped abroad, and losses were caused by the lack of orders placed by our army. Luckily, this enterprise has cooperated for many years with the United States and Japan in the production of loading machines due to which it is somehow getting by. The WSK [Transportation Equipment Plant] Swidnik is faring worse. It produces helicopters, most of which have been exported to the USSR to date. Given the situation which now exists there, it is

unknown whether helicopters currently produced "for storage" may be sold in the future.

In Radwar, it is yet something else. Its financial status is not bad, and its order portfolio, mostly for exports, is considerable. However, to meet these obligations it has to adequately pay the engineers it employs or they will leave. However, how is this to be done if the average wage at present amounts to 1.3 million zlotys, and the excess wage tax of 1.5 billion zlotys needs to be paid?

So far, not a single armaments enterprise has lost its so-called creditworthiness; at worst, there are cash flow problems. However, this alone causes psychological discomfort and fear of the future among the management and labor. This is why negotiations between government representatives and trade unionists representing the enterprise commissions of Solidarity from a dozen or so enterprises were held on 15 February at the Ministry of Labor.

The government side admitted that the aforementioned problems did not develop through the fault of the enterprises, and that resolving them has been delayed due to the lack of a government decision. In addition, it was resolved that new systemic arrangements affecting the defense industry will be adopted within a month. The government delegation will request that the Council of Ministers review and consider the issue of compensating losses resulting from the embargo on the delivery of military products in conjunction with the conflict in the Persian Gulf. Urgent problems will be solved through direct negotiations with the minister of industry; this is the case in particular with Mechanical Enterprise Bumar-Labedy and the Stalowa Wola Iron Mill.

So much for a communique. The one-month deadline for solving the problem is not arbitrary. After all, the first meeting of the KERM [Economic Committee of the Council of Ministers] was scheduled for 25 February. The KERM may consider a draft of changes in the financing of the defense industry which has been awaiting [its turn] since December. Without going into detail, in general it is postulated that from among the 82 enterprises which currently have the status of defense enterprises, only 10 enterprises will be selected to keep this status in the future and not be subject to privatization. Seventeen enterprises which may be privatized, but only if the government agrees, will make up the second group. In addition, these companies could only be transformed into joint-stock companies with a majority share held by the State Treasury. The rest of the companies will become completely civilian.

## HUNGARY

### Antall Forms Banking Reform Committee

91CH0433C Budapest NEPSZABADSAG in Hungarian  
1 Mar 91 p 6

[Unattributed article: "A Committee for Banking Reform"]

[Text] Prime Minister Jozsef Antall appointed an independent committee of experts at the recommendation of Katalin Botos, minister without portfolio. The task of this Banking Reform Committee, which has already held its statutory meeting and has worked out its working program, will be to work out proposals for developing Hungary's finance and banking system. The chairman of the committee is Lajos Komar, and its secretary is Otto Hieronymi. Its members are Adam Batthyany, Gyula Czirjak, Sandor Czirjak, Miklos Pulai, Istvan Szalkai, Sandor Takacsy, and Pal Tar. (MTI) [Hungarian Telegraph Agency]

"This is not just another committee to reform the reform," said Lajos Komar in reply to the inquiry of our correspondent, "but it is a group of experts which, accepting the already decentralized banking system, will work out the directions of advancement for at least the next decade."

The committee will also present its view before the introduction of the banking law, i.e., the central bank draft bill, but this, promised Lajos Komar, will cause only a two or three week delay, at the most, in the urgent economic legislation. He added that he had no say in selecting the members of the committee; that was done personally by Mihaly Kupa, Katalin Botos, and the prime minister. Nonetheless, the composition of the committee is very fortunate from a professional aspect, because it includes both practicing experts and experts with experience in central banking. Some of the members are experienced mainly in the domestic territory, and others have extensive international experience. The Banking Reform Committee already began working earlier this week.

### Crisis of Banking System; A Case Study

91CH0401A Budapest TALLOZO in Hungarian No 5,  
1 Feb 91 pp 223-225

[Article by Klara Hitzing: "Modern Hungarian Calvary"—first paragraph is TALLOZO introduction]

[Text] Statement: The present Hungarian banking system is incapable of, and unsuitable for carrying out the banking functions related to the entrepreneur economy, and consequently, directly hinders new ventures. Let a true story serve as evidence.

The players are: a Hungarian economist, an international management consulting firm, and yet another foreign counseling firm. They want to form a joint

company with a capital stock of 550,000 forints and \$4,500 plus know-how, using the services of an already existing group of experts. Their objective is to bring in, with the help of their extensive international business relations and experience, a significant amount of foreign capital to create new conditions, and to modernize the existing ones, for activities in Hungary.

### First Station

The venture must be incorporated at the business court. One requirement for this is to deposit a minimum of capital stock in a Hungarian bank and then to present a written bank statement to that effect, together with an account number, as proof.

They open the telephone directory to find a bank and to discuss what they must do with the persons in charge. They are unsuccessful. It turns out that the telephone numbers of the (new) banks are either wrong or are not even listed. No one thought of bringing out a supplementary listing right away, and at least three calls must be made this way for every successful connection. This means extra revenues for the telephone company, but a minimum of half an hour of lost time, as well as a telephone bill at least three times as high plus lost profits for the calling party.

Finally, they get the numbers. First they try a downtown subsidiary of an international banking network, thinking that "this is nothing to them, they are familiar with business and they are small, therefore flexible." But, although "they" are small, they only deal with the "Big Ones," as if it were a favor. Then a new Hungarian "Big One" follows. They have a closure on new accounts. They do not accept new capital stock. They have no more capacity.

This is followed by an old Hungarian "Big One." They will not accept new capital deposits, be they large or small. They have no more capacity.

But they know the territory, and as a favor they direct the caller to one of the offices of a third "Big One." The Hungarian partner withdraws a minimum of 250,000 forints, in cash, from the OTP [National Savings Bank]. It does not matter that the OTP has a transfer check, he must withdraw the money in cash, there, in front of everyone, and stuff all of that money into a bag. (He can withdraw only 20,000 forints with a single check, and he has a maximum of ten checks, if he has not yet used any of them for other purposes.) The bag goes through town in a taxi because of the impossibility of parking. It is accompanied by the foreign partner. He has a check for U.S. dollars. He is stunned to see the bag.

### Second Station

At first sight, the bank's branch office is an elegant, huge place, full of people and the protruding buttocks', all nicely lined up, of those bending down in front of some ten little windows, cut at waist level, in order to communicate with bank clerks. The Hungarian entrepreneur is

directed to one of the windows. There he is given a check and a printed sheet of paper on which must enter the kinds and quantities of denominations that add up to 250,000 forints. It does not even occur to them that he may have something other than cash. It does not even occur to them, nor are they interested, that it could also be 100 million. The client sits down on a just-vacated chair in the middle of the room and begins to count the thousands and hundreds in his lap in the middle of the crowd. Then, in his lap, he enters the quantities of the denominations and fills out the check on top of his bag, in his overcoat. He is finished, but by then ten people stand in front of the only window that is appropriate for him, so they decide to deposit the foreign partner's check first, at the window for foreign currency. Now he is the one who bends over and looks inside. (One cannot look inside in an erect position through the elegant but impractical windows that are covered with all sorts of handwritten slips of paper to make them not only impractical but also chintzy.)

Several people are conversing in the back. After five minutes, the foreign partner calls through the window to make them not only look at him but also see him, but to no avail. After ten minutes he shouts through the window and inquires whether the person inside, the chief, is willing to talk to him. They tell him to wait and then continue their conversation. After another twenty minutes the foreign partner gets tired of waiting and says that in any other country the chief would come immediately at the appearance of a new client, offer him coffee, take care of his business, and thank him for coming there. They do not even talk to him here. Let us go. But where shall we go with this bag of money?

### Third Station

He knows one of the executives of another "Big One." The executive is not there, but there is information. We take a taxi to the designated place. The branch bank is brand new and super elegant and beautiful. It is the specialized home of the foreign currency affairs of the "Big One" mentioned, consequently, most of its clients are foreigners. The foreign partner looks around. Everything is posted in Hungarian, even the location of the cashier, in order not to reveal to the foreigner where to make payments. The foreigner should learn that in Hungary he must pay at the "penztar," even in those places that were established for him, the foreigner.

Many beautiful and uniformly dressed girls are at the counters, they speak impeccable Hungarian, but hardly understand, in Hungarian, what we want and what they should do. We want to deposit the foreign currency part of the capital stock. First two, then three, and then more people are consulted. The foreign partner cries out in pain. Finally, the conference ends positively, they take the check, and issue a receipt. Then comes the crash. Now the Hungarian partner announces that he also wants to deposit his forints so that the two will be in one place, because they constitute the one and same capital stock. The reply: That is impossible at this branch. But

determining the appropriate branch of the same bank where the forint part of the capital stock of the same venture can be deposited seems to be a very complicated task. Finally, they say that we should go from this northern Pest branch to the southern Buda branch. (They could not provide us with the address.) With the bag of money in our hands. We were unsuccessful in determining the mechanism as to how these separated parts of the capital stock, handled by two branches that are physically kilometers apart from each other, will finally become the capital stock of the given venture and how the bank account will change into a single company bank account. One cannot assume the existence of a computerized system!

### Fourth Station

One of the country's largest commercial banks is incapable of handling the finances of the new, therefore true, ventures. The bank's internal organizational and operational structure, as well as the present regulations of foreign currency management (the MNB's [Hungarian National Bank] role), i.e., the nonbank character of the entire banking system, makes that impossible. But do they really want to handle venture accounts? Who has any interest in maintaining the present situation?

The Hungarian entrepreneur will not set out to find the branch bank. He will decide that, "on his way to Europe," it is better to go home with his bag and to put the 250,000 forints into a drawer and then look for another beneficent bank. Luckily, the so-called informal networks of connections still exist (indeed, it seems that only these exist). That is, the market must be developed through typically antimarket structures. This is an absurd joke.

### Fifth Station

Finally, a new possibility emerges at another "Big One." This bank does not look down on the small ones, and it has informal connections (although they are also at full capacity). They accepted him as a future client. He was able to deposit the forint part of his capital stock, and the second deposit of the foreign currency part was accepted (which was now deposited in cash after the foreign partner learned his lesson). In this branch he was treated as a customer, he felt like he was in a bank until it turned out that the dollar check previously deposited at the other bank must be retrieved. This is the way this process takes place in Hungary:

There is a check for \$2,500, issued by the Creditanstalt of Vienna [CA] for so-and-so.

So-and-so presents this check in Budapest to the first bank mentioned as the "Big One," but the first "Big One" cannot be in direct contact with the CA of Vienna. The CA was aware of this, therefore, it issued the check to Foreign Trade Bank to begin with, which is the inheritor, and at present the happy owner of this right. In lieu of this fact, the first "Big One" must forward the check to the Foreign Trade Bank.

The Foreign Trade Bank accepts, files, and sends the check back and forth in house (probably in a quite physical sense, because the system is, in its literal meaning, not computerized), in accordance with the demands of its internal system. Thus, in principle, the Foreign Trade Bank has the money, or at least a monetary claim. Hard dollars; one could begin something with it.

However, because of the Hungarian National Bank's special monopoly, the Foreign Trade Bank is not a real bank either, therefore, it must physically forward the check to the MNB because its money becomes real money only when the MNB acknowledges receipt of the amount which was issued to the Foreign Trade Bank's name but which belongs to the "First Big One." So, the Foreign Trade Bank forwards the check to the MNB, which accepts and files it. It sends the check back and forth in house in accordance with the demands of its internal system. After a while, the Foreign Trade Bank will receive the money which it will then forward to the "First Big One," through ways and means unknown to the outside observer.

#### The Sixth...

Since the basic problem was that so-and-so wanted to transfer his money from the "First Big One" to the "Second Big One" (if the check still exists after this voyage and someone acknowledges to him that his money has been credited). The "First Big One" must see to it that the amount of foreign currency is registered at "Second Big One." Only after this will so-and-so get a receipt for depositing his money.

In our case, the money failed to reach the "Second Big One" within three weeks (!) after the check's date of original issue, even though the CA transferred the \$2,500 within 24 hours.

After 15 days, an obliging employee of the "First Big One" began to search, voluntarily and really out of kindness, for the check at the Foreign Trade Bank. After a million unsuccessful telephone calls, he succeeded in finding the name of the person handling the check, who happened to be on vacation. Because of this, he obtained the most diverse information; but the point remained that the check's whereabouts could not be determined. After another eight days it turned out that the check was already at the MNB, but it was there that no one was able to trace it. (According to MNB, the check was not transferred from the Foreign Trade Bank.) On that day, a half an hour before the official business hours, the joint venture's Hungarian member succeeded in expressing his opinion on how the Foreign Trade Bank conducts its business and in requesting information on the check's whereabouts. For an hour and a half they searched for the papers connected with the check (and several employees were not doing their normal work). He received an explanation for all of this: There has been internal moving. They nonchalantly apologized for this last delay, but of course, not for the three-week-delay. On

the other hand, they told him that the entire hassle was caused by the client's mistake of bringing a check rather than cash to deposit his foreign currency, and they expressed their indignation about "First Big One's" softheartedness in accepting their client's check despite their repeated warnings to the contrary. Then, thanks to his aggressive demeanor, he was given a receipt for the Foreign Trade Bank's transfer of the check to the MNB, with instructions for the client himself to take it from the street to the MNB to find the check!

#### ...and The Seventh

The client goes back to "First Big One's" obliging employee and gives him the receipt, because the employee promises him that he, on his own accord, will finally bring this matter to a conclusion. After yet another three days, i.e., one month after the check's deposit and the money's transfer, the foreign investor still has not "officially" deposited the foreign currency part of the capital stock necessary for forming a company.

According to the investor's vivid imagination, the \$2,500 are presently being circulated by the MNB.

The joint venture cannot be incorporated. In other respects, the Hungarian economy is characterized by quite a venture-friendly atmosphere and market conditions, and a banking system that serves both.

#### Representative Urges Nonpayment of National Debt

##### Parliamentary Leaders Comment

91CH0400A Budapest TALLOZO in Hungarian No 5, 1 Feb 91 p 203

[Article by Bayer Zsolt: "Dr. Agnes Maczo, the Hungarian Fidel"]

[Text] Before proceeding with the agenda, Dr. Agnes Maczo requested permission to speak. She received it, and then she spoke. Take it from me, this was not a blessing! What she said made even the dissenters lower their eyes in confusion. Among other things, she said what had so far only entered the minds of Cuba's Fidel Castro and Libya's Colonel al-Qadhafi: Let us not repay our debts because we did not incur them.

She described at great length the Hungarian mothers who nowadays give birth, one after the other, to debt-ridden slaves: Here and now was O My Egypt. She then asked her fellow representatives if in her stead they would pay back their OTP [National Savings Bank] loans merely because they were seated in a chamber. She embellished her little speech with all kinds of historical parallels. Bells were ringing, Tatars and Turks were passing through, and more and more people were dashing out of the chamber! I sought some of them out and asked what they had to say about Maczo.

Dr. Gabor Fodor, of FIDESZ [Association of Democratic Youth]:

"As usual, I listened in dismay to Agnes Maczo's remarks. It is dreadful that such a speech is heard at all in the Hungarian parliament. Her rhetoric calls to mind the prevalent ultraconservative tone of the 1930's or that of dictators with entirely reversed values. But the result of this nonsense about not paying our debts, if it should happen, would be the impoverishment of the children of Hungarian mothers. It would be nice if Agnes Maczo were aware of this."

Ivan Peto, of SZDSZ [Alliance of Free Democrats]:

"It was a speech typical of Agnes Maczo. Many persons perhaps think that they have finally heard the voice of the man on the street, but a distinction should be drawn between speeches in parliament and speeches in the marketplace. This cannot be achieved with literary quotations. You must not give the impression that here is a place for people to chat. A representative is supposed to possess some basic knowledge. Somewhere the work of parliament must be done and the speeches of parliament delivered. Let us not forget that in a modern political system certain rules apply. If someone is a representative of the party in power, and the party in power is not what he imagined it to be, then he cannot speak as if he were not a representative of that party. If he can say only bad things about the government, and if he is unable to accept the government's policies, then he finds himself in a significant role dilemma."

Dr. Laszlo Bekesi, of MSZP [Hungarian Socialist Party]:

"I understand that people have different opinions about who was responsible for, and who played a role in Hungary's national debt. There is nothing wrong with this being discussed by the man in the street. But when a government party representative steps forward in the national assembly for the second time with the preposterous, irrational, unrealistic, and legally groundless demand that the Hungarian national debt be cancelled because it was inherited and we did not incur it, well, that is simply outright dangerous. It suggests to our creditors and to agents of the international economy, from whom we expect an end to the shortage of capital and a transformation of the economic structure, etc., that perhaps the political authorities here also give serious thought to this preposterous idea. Therefore, it cannot simply be dismissed as the patter of a demagogue bent on swaying the public. The fact is that the previous government, as required by law, rendered to parliament an account of when money was spent, on what it was spent, and by whom it was spent. If Agnes Maczo so desired, she could have looked it up. It would be a shame to forget that the prosperous post-1968 period of the Kadar era. It was not a political prosperity that rested on the stone-hard fact that every day of every year it was possible to give the Hungarian citizen a little more. Therefore, we were the happiest barrack. However, there was no genuine economic achievement behind it. Part of

it was covered by credit. That is to say, part of the credit was used up by this country; not by 15 politicians who happened to make the wrong decisions, but by 10 million citizens. Finally, let us not forget that part of this credit, a minor part, unfortunately, was indeed a very good investment. So it is wrong to suggest that the whole thing made no sense. Agnes Maczo's speech is simply dreadful, and I am very happy that the government immediately dissociated itself from it."

### Maczo Defends Political Stand

91CH0400B Budapest TALLOZO in Hungarian No 5,  
1 Feb 91 p 204

[Interview with parliamentary representative Dr. Agnes Maczo by Dombrovsky in Hungary on 22 January: "Agnes Maczo Makes Her Voice Heard: I Came as a Representative"]

[Text] "A politician's job does not consist of occupying a seat in parliament, but of constantly being present at the political struggle," says Dr. Agnes Maczo, representative.

[Maczo] If something is heard or if something is written by the newspapers that may be dangerous, it cannot be passed over in silence. This is why in recent times my voice has been heard more than once. This is why we sent an open letter to the National Press Service in which my husband, Ilian G. Nagy, and I took exception to a statement heard on the TV program "Panorama." The statement by Gyorgy Kalmar was offensive to the nation. It went as follows: "We are not at a loss for racial prejudice in our country."

[Dombrovsky] In another declaration that became a focus of interest, you called upon the representatives in parliament to tell their constituents to have no faith in any policy. What effect did this remark have?

[Maczo] I was summoned to appear before the MDF [Hungarian Democratic Forum] ethics committee, but I did not go. After all, I am an independent representative. I've never been a member of any party. The only reason I joined the parliament's MDF faction was because I thought that the MDF's philosophy was closest to mine. The only problem is that the MDF has abandoned that philosophy.

[Dombrovsky] In your most recent parliamentary speech, though a member of the faction, you spoke out against the government, this time on behalf of people with large families.

[Maczo] I can sympathize with their problems, after all, I have four children of my own. But I definitely think that family policy does not occupy a pivotal spot in either the government's program or in practical measures. While the country's population dwindles, the number of retirees increases in proportion to the number of active wage earners. This problem is vitally important from the standpoint of Hungary's future.



[Dombrovsky] You cited the ideas of writer Gyula Fekete, who believes that the family policy of the past 40 years is appalling. Has anything changed since the modification of the regime?

[Maczo] The steps taken since the so-called change of regime have, if anything, worsened the situation of persons with many children. The price increases had, and have their biggest impact on the living conditions of large families. Depending on the number of children, each family suffers through the changes. This policy puts families in a humiliating position. I spoke out against this, and I will always intervene if I see hope for change. Unfortunately, it is traditional in this country to engage in politics behind closed doors. In modern politics, there are many decisions and agreements which do not benefit the people. I came to parliament as a representative of the people.

### **FKgP Chief on Dangers of No Land Reform**

91CH0401B Budapest TALLOZO in Hungarian No 5,  
1 Feb 91 pp 214-215

[Interview with Sandor Olah, secretary general of the FKgP [Independent Smallholders' Party] Arpad Szeri; place and date not given: "Interview With Sandor Olah"—first three paragraphs are TALLOZO introduction]

[Text] Patience is running out. One indication of this was the arbitrary land seizures that have happened within the last few days. The unlawfulness of these actions are evident, and even FKgP [Independent Smallholders' Party] Secretary General Sandor Olah disassociates himself from them. He thinks that if the lands are not returned to their former owners by the fall harvest, the Antall administration will not survive.

One must pay attention to what Sandor Olah says. Not only because he is Secretary General of the FKgP but also because his parliamentary speeches are characteristically clear and precise.

"You know, my love for literature has been an important factor for me ever since my childhood," explained Sandor Olah in the interview which we made with him after the Szekszard KSZE [Socialist Cooperation in Corn Production] agrarian forum. "I am an economist by training, but I have been involved during the last decades with management and information in the lumber industry. Thus, I was working in an administrative field that required rational thinking and analytical assessment of situations. Therefore, I became familiar with something that is also indispensable in politics; I am thinking here of analyzing processes and events, drafting various solutions, and considering consequences."

[Szeri] What would be your analysis of the event that happened in the last days? Several small farmers arbitrarily seized land at some settlements....

[Olah] I can emotionally sympathize with those who carry out actions like this, and the reason is that all of the bitterness of past injuries are very much alive in many people. After the recent changes, the hope flared that people who had land was seized would be able to get it back. This hope was also nurtured by our program.

[Szeri] But, in the meantime, months went by....

[Olah] Precisely, and nothing materialized. Such eruptions are unavoidable when internal forces are stretched to such a degree throughout society. So, this I do understand. But neither as a party leader, nor as a parliamentary representative, can I identify with what happened. We are talking about a grace period of not more than one or one and a half months. By that time the legal requirements of changing proprietorship will be clarified; it would be good if everyone patiently waited out this period.

[Szeri] Many people have been waiting for a very long time already.

[Olah] We are talking about tens and hundreds of thousands. Only ten, twenty, or hundred people are taking part in the land seizures. Their actions will be no substitute for the hundreds of thousands that are waiting, they will bring no solutions. I do not exclude the possibility that these land seizures will put a kind of pressure on the legislative process, but I am not convinced that such methods are right.

[Szeri] We frequently hear the question today that has remained unanswered since last year: When can the small farmer sow on his own land?

[Olah] This question has even been raised on television as follows: Will the farmer own his land by grape harvest? I can only say to this that if he will not own land by that time, then there will be no Antall administration here, the FKgP will not be part of the coalition, and this is the saddest part, this democratic parliament will not be in place either.

### **Unlawful Repossession of Land Described**

91CH0425A Budapest MAGYAR FORUM  
in Hungarian 21 Feb 91 p 5

[Article by Marta Benke: "Land Distributors, Repossessors, Waiters"—first paragraph is MAGYAR FORUM introduction]

[Text] Farmers are restless. They have been waiting for the land law for almost a year, and their patience is running out. I wandered extensively around the Szentkiraly farms in Bacs-Kiskun and, in talking with the people living there, discussed nothing but their struggle with the cooperative. It was of no use that they had contributed their land and joined the cooperative; they had been unable to prosper. I met co-op members who earned only 4,600 forints after working there for 26 years. What else

can they do but cultivate their garden plots and rent their own land to have some secondary income.

I saw even sadder things in the farming world of Kun-szallas. I saw dilapidated farms and abandoned pits where small farms used to thrive.

Ill fate did not circumvent the Matko farmers either. I talked to many families, including the Gaspars, whose acre-and-a-half strawberry field was tilled. Others had lost their fertile vineyards and orchards under the pretext of converting them to tilled fields.

This fate was awaiting school teacher Gyula Karacsonyi's 77-acre farm, too. Back in the 1920's, Karacsonyi created a model farm for educational purposes on the outskirts of Kecskemet, between Balloszog and Helvecia. His students still talk about his beautiful vineyard. But those times are long gone! For the past ten years, this land has been lying fallow.

#### **They Cannot Endure Any Longer**

Is it a wonder that they are impatiently awaiting the land law? Of course, there are those who do not wait. Istvan Varga of Kecskemet came to me not long ago, saying that they cannot endure it anymore. If nothing happens by 1 March, they all will go to their land, carrying the national flag, and seize it. Incidentally, the Varga family has been fighting for their property for at least ten years. The elderly Mihaly Varga repeatedly shut the door in the face of the co-op chairman, saying good-bye with these words: "You damned land robber!"

Uncle Mihaly's former land is directly next to his farm house, and when he steps out of his house, he looks upon his own land. That is, his former land. Uncle Mihaly joined the specialized cooperative in 1962, contributing 1340 square fathoms of arable land. He continued to cultivate it until 1982 when it was turned into a joint cultivation. Subsequently a connecting road was built on the property and cultivation halted during the work. The land got weedy. When the road was completed, the cooperative leased it again, but this time not to the Vargas'. The family has been fighting for their property ever since.

#### **Let Us Rather Go to Court**

Ferenc Tanu, also of Kecskemet, did not wait until March. He repossessed his land, which is on the outskirts of the city and which he inherited from his father. The United Specialized Cooperative brought charges against him for trespassing.

"What do I care!" says Ferenc Tanu. "At least they cannot sell it while it is under litigation."

Erno Kiss of Tiszakecske even reported his repossession to the co-op and the land office. He got his parcel of land in 1947, after many years of working as a hired man. He built a farmhouse on it and cultivated it with care. Of course, "co-oping" did not circumvent his land either.

Now, as he measured his three acres, he felt that he was getting back his rightful property.

The 67-year-old Pal Balla vexed the Kecske co-op managers many times. He litigated with them for twelve years and then, always tilling a few extra meters, repossessed his land step by step. They sent out the police and an executive, but he did not give them his land. Now he asks:

"Do you want to follow the road which has Rakosi's and Stalin's road signs?"

Lajos Doczi, also of Kecske, received hardly more than 5,000 forints for his 17-hectare land. He worked in the co-op for a while, then became a chauffeur.

He sometimes laments, "I have done all kinds of work, but I became a nobody."

Last fall he was already sharpening his scythe; he was ready to go out on the field. Kecske FKGP [Independent Smallholders' Party] official Benjamin Szurszabo says many people are getting ready to farm. Several people have even bought the machines already. At least 400 people want their land back and insist on having what is theirs. They do not want any ill feelings. [as published]

Benjamin Szurszabo thinks that "it will not be good if people start getting at each other's throats."

That is precisely what happened in Tiszaalpar. Land was being distributed in the Tiszataj co-op. It was decided last year at a general meeting that anyone who wanted land could get land. They marked a 70-hectare strip next to a farm house area. They approved 15 of 25 applications, and divided the strip among them.

This is what caused the squabble. The land's former owners revolted because what was theirs was given to others.

It has come to light that many people did not even apply; they were awaiting the land law. This is what the Barna family had also done; they think that the old chairman rewarded longtime comrades with the land.

Incidentally, returning of land has begun in several places. In Szentkiraly, whoever wants his land back can get it back. The situation is the same in Izsak. In Jaszszentlászlo the co-op distributed 300 acres of land. In Kecskemet, according to Kecskemet FKGP official, Gyula Bartos, at least 200 to 250 people have already gotten their land back and several thousand more applications have been received.

#### **More Trade Unions Join Independent Association**

91CH0433D Budapest NEPSZABADSAG in Hungarian  
4 Mar 91 p 4

[Article by Gergely Bartfai: "On the Preliminary Division of Assets: The League Is Ready for Talks With MSZOSZ [National Association of Trade Unions]"—first paragraph is NEPSZABADSAG introduction]

[Text] The League of Independent Trade Unions would like to resolve as soon as possible the issue of dividing trade union assets, which has been tainting the relations between the trade unions for a long time. Therefore, the council of the FSZDL [League of Independent Trade Unions], changing its earlier standpoint, authorized the executive committee to conduct talks with the MSZOSZ [National Association of Trade Unions, formerly SZOT] about the latter's pretrade union election proposal on the preliminary division of assets.

Executive Csaba Ory gave information about this to the press following the more than six-hour Saturday meeting of FSZDL's council. He said that another 68 trade unions joined FSZDL at the meeting; FSZDL now has 200 member organizations. Total membership reached 170,000, and new FSZDL professional associations and regional organizations are constantly being formed. But this rapid growth also presents some problems. The council accepted the report of executives on their work, but several speakers emphasized that it would be desirable to have more intensive consultations with the membership. Csaba Ory summarized the events at the meeting by saying that the FSZDL needs new bylaws to preserve its democratic structure and decisionmaking mechanism. Therefore, the council decided to call FSZDL's second conference on 18-19 May. The purpose of the latter will be, in addition to working out the new bylaws, to elect new officers and to approve a program that would adapt to the rapidly changing economic situation.

The goal of the FSZDL is to always have the appropriate information on a given company's operation and financial situation in negotiating with employers. Ory said that they will enforce this requirement through legal means if necessary. He also mentioned that the FSZDL will organize the 1 May independent trade union festivity in Nepliget again this year. In accordance with another council resolution, the FSZDL is applying for admission into the European Trade Union Association. Ory said in closing that, until recently, workers have been fired in Hungary for organizing a trade union at the workplace or for participating in trade union activities. In these cases, the FSZDL takes legal action for violation of the right to organize trade unions. They have already won several such cases, and the fired employees have been given back their jobs.

### **'Complicated' Wage Control Problems Examined**

91CH0405A Budapest HETI VILAGGAZDASAG  
in Hungarian 16 Feb 91 p 71

[Unattributed article: "Wage Regulations 1991: Simply Complicated"]

[Text] It was not until 7 February that the cabinet discussed its 1991 decree to regulate the amount of wages paid by business organizations. Accordingly,

MAGYAR KOZLONY will publish this year's requirements shortly, albeit a month and a half into the new year. This took place after mediation efforts between government, employer and employee representatives failed on 25 January.

With good reason for dreading runaway inflation, the government felt that the personal income tax law was insufficient to control individual income and therefore required business organizations subject to the entrepreneurial profit tax law to comply with separate wage regulations in 1991, just as they have done before. Although in principle taxes may be levied only on the basis of legislation adopted by parliament, a clever provision of the profit tax law approved by parliament and authorized the cabinet to determine the extent to which wage increments must be made part of the profit tax base, thus assigning the wage taxing function to the cabinet. In turn, the cabinet authorized the labor affairs minister to work out the details. However, at this time, these regulations were not inspired by fiscal considerations. Revenues derived from wage taxes would be accounted for separately and used exclusively to implement 1992 wage policy measures.

Small firms with wage expenses amounting to less than 20 million forints in 1991 will continue to be exempt from paying "wage taxes," moreover, joint enterprises, already entitled to pay preferential entrepreneurial profit taxes, will pile up some more advantages and will also be exempt from paying wage taxes. As compared to last year's rules, this year's changes amount to only this much: The wage tax base "built into" profit taxes will depend solely on changes in wage expenses, and not on the much criticized, but by now accustomed to, performance index called "added value." The concept of "wage expense" has been defined in bureaucratic detail by the labor affairs minister's decree. According to present rules, wages paid by an enterprise are taxed if the firm expends 118 percent more for wages in 1991 than last year. If wage increments were to fall between 18 and 28 percent, only the amount of such increments would be added to the profit tax base. However, if the wage increment amounted to more than 28 percent, the entire aggregate wage increment would be subject to profit taxes. Different magic cost ceilings apply to public service enterprises: 28 percent replaces the 18 percent limit, and 34 percent is specified instead of 28 percent.

According to experts, solidarity is an important element in this year's wage regulation system. As if personal income taxes did not even exist, excessive reductions in force and a greater spread in average wages became subjects to higher tax payments. While they proclaim the regulation of aggregate wages, average wages become the subjects of regulation when it comes to a more than 5 percent increase in the workforce, in order to eliminate great variations in the earnings of citizens employed by various firms. Should the number of employees in a firm decline by 5 percent or less, the firm may utilize the entire amount of the unexpended wages of those who left without having to pay taxes. On the other hand, should

the workforce reduction amount to more than 5 percent, the firm will have to pay taxes after the excess unexpended wages. At the same time, however, should an enterprise increase its workforce by more than 5 percent, all wages paid to the newly added employees will be fully tax free. Accordingly, chief accountants may look forward to some very simple calculations. If, for example, a firm had 100 employees in 1990 and paid out a total of 100 million forints in wages, but in 1991 the number of employees dropped to 93 and total wages amounted to 117 million forints, the change would not represent a 17 percent, but a 19.4 percent wage increase (117/98), because only 98 percent of the 1990 wages, always 5 percent less than the actual workforce reduction, could be considered as a basis of comparison. Thus, in the enterprise mentioned in our example the profit tax base will be increased by 1.4 percent of the aggregate wage, because 18 percent of the aggregate wage is tax free. Conversely, should the number of workers in the same enterprise increase to 108 in 1991, any wage increase to be taken into consideration from the standpoint of taxes will only be 8.3 percent (117/108), because the rules provide full preference to more than 5 percent increases in the workforce.

The new rules also provide preferences to firms which require supplemental funds in excess of 3 percent of last year's aggregate wages due to the 1991 mandatory minimum wage increase. In these cases not only the aggregate wage increment in excess of 3 percent becomes tax free, but the entire amount which represents the minimum wage increase. However, one cannot tell how many times, and by how much minimum wages will be increased this year. The latest increase occurred in December, raising the minimum wage to 5,800 forints. Most recently, according to reports, the National Federation of Hungarian Trade Unions recommended a minimum wage of 8,200 forints. Laszlo Herczog, deputy state secretary for the Labor Affairs Ministry, told HETI VILAGGASZDASAG that the government would not formulate a strategy before next week.

The 1991 wage regulations took a new turn in the government's slalom to control premiums paid to managers. As part of "spring cleaning" last year, the Antall cabinet took action to limit the amount of premiums paid to managers of profitable enterprises to a maximum of 100 percent of their annual pay, per person. This restriction has been discontinued this year. Employers, including enterprise councils, may once again freely decide on how to reward their leaders. Accordingly, the only remaining financial barrier with respect to premium payments will be the amount of taxed profits.

#### **'Double Crisis' in Tourist Industry Described**

91CH0433B Budapest NEPSZABADSAG in Hungarian  
1 Mar 91 p 1

[Article by Zsuzsa Gal: "Tug-of-War Sector? A Double Crisis in the Tourist Industry"—first paragraph is NEPSZABADSAG introduction]

[Text] (From our correspondent) In addition to the tourist industry's state organization being in a crisis, the result of the East European accounting system's collapse, the threat of terrorism, and the shrinking domestic effective demand, the National Tourist Office is also struggling with a management crisis: It has no appointed head.

Former NTO [National Tourist Office] Deputy Director Marton Lengyel, who has the backing of the entire industry, and with whom Peter Akos Bod, the minister of industry and commerce, met for frequent talks, came home last August from his tour of duty in Madrid. Although Marton Lengyel's concept for the development and reorganization of tourism sparked the minister's interest, Lengyel, an internationally renowned expert, was not appointed despite the fact that in mid-December NTO President Imre Gellai announced his intention to resign.

There are two other subsequent events worth mentioning: The minister took over the supervision of tourism from Deputy State Secretary Tamas Schagrin, and he announced the director's vacant post.

According to our information, four or five persons applied for the position; Marton Lengyel was not among them. When he was invited to apply, he said that the minister may consider his earlier submitted concept as his application. Imre Gellai went into his office for the last time on 14 January; since then, the NTO staff has been working under complete uncertainty, and has only been guessing who the new boss will be and what concept of tourism will be implemented.

It is not only a head that the organization is lacking, but also a state strategy for tourism, although there have been numerous attempts at working out and submitting the latter to the government.

Imre Gellai thinks that "differences of conceptional views lurk behind both the lack of concept and the lack of leadership crisis."

[Gal] What is the basis for this statement?

[Gellai] My experience. Neither my view that tourism could be the motor for economic development, nor my opinion that tourism is not one of the sectors but the manifestation of the performance of numerous social and business groups, has been well received in the ministry. This is one reason why the 1989 concept, which was built on the premise that all sectors concerned, from foreign affairs and finance through transportation, to border guards, customs, culture, and environmental protection, could not be submitted to the government. The response to this concept was something akin to "this is not the way to look at tourism."

[Gal] What are the disadvantages of the lack of strategy or the lack of an independent ministry of tourism that is on par with the other ministries?

[Gellai] Already last year, 37 million visitors poured into the country, but their per capita spending did not even approach the European average. The connection is evident: Tourism lacks the infrastructure that would encourage the tourists to spend their money.

It is possible that Imre Gellai, who is leaving office, is not entirely free of biases. Even if his explanation of the reasons is perhaps debatable, facts are facts: While tourism's service industry came to the brink of bankruptcy, and while the 1991 revenues from tourism, designated to pay the interests on state debts, are also threatened, i.e., in an unprecedented crisis situation, the NTO has neither a strategy, nor a head, nor power. Can a battle be won without a strategy, without a general, and without arms?

### Efforts To Use Investment Fund Described

91CH0433E Budapest NEPSZABADSAG in Hungarian  
1 Mar 91 pp 1, 4

[Article including interview with Andrew Sarlos, by Zsuzsa Gal; place and date not given: "The First Hungarian Fund [FHF] Is Investing; Sarlos' New Promises"—first paragraph is NEPSZABADSAG introduction]

[Text] For a year, the First Hungarian Fund [FHF], which was established in 1989, has been unable to invest the \$80 million that it has at its disposal. This was perhaps one reason why the former FHF director, Bob Smith, was relieved last December at the request of Hungarians who claimed that his lack of proficiency in Hungarian hindered his work.

It was also in December when Gyorgy Soros left the Board of Directors. Canadian businessman, Andrew Sarlos, became the FHF's new director; he had also participated in the FHF's early organization and held out the prospect of good investment opportunities. We called Andrew Sarlos, one of FHF's first organizers and leaders, in his Toronto office and asked him about the results of his negotiations to date.

"I was looking for projects that would yield money for the investors and profits for Hungary. We are planning to jointly reconstruct and enlarge to 500 rooms, the Hotel Royal of Budapest, with Canadian-French-Hungarian Gyorgy Vari, one of the world's major hotel builders, who has built a total of 48 hotels throughout the world from Toronto to Moscow to Paris. Fifty percent of the \$140 million project would be owned by the state through Hungar-Hotels, 38 percent by Gyorgy Vari, and 12 percent by the FHF. We have the State Property Agency's authorization for the project.

"Szabadsag Square is the site of the other big construction project: a \$100 million office building on the parking lot across from the Hungarian National Bank building, built jointly with Hungarian Credit Bank. The FHF's share in this investment project is 17 percent. The next thing which I can say with great probability, is that

we will invest several million dollars in Paper Manufacturing Company's Budafok plant, a venture in packaging material production. Several Hungarian commercial banks are a part of this project, and the FHF's share is 25 percent.

"Jointly with the Four Seasons hotel cartel, we made Hungar-Hotels an offer to buy the Hotel Intercontinental of Budapest, but we have not yet received a reply. We are also negotiating with the Babolna farm on forming a joint company whose activity would include everything from raising cattle to packaging cut meat and exporting its products to European supermarket chains."

[Gal] Through these, then, has the FHF invested its \$80 million?

[Sarlos] No, there are further plans as well, but it would be too early to say anything about them publicly.

[Gal] The FHF's owners, American and European pension institutions, were no doubt not very pleased that their money was laying idle for such a long time.

[Sarlos] This was still a better place for their money than some other place would have been. But now we will show what we can do with the \$80 million and, if we are successful, there will be the possibility of investing even further sums in Hungary.

### Private Investor Saves Endangered Enterprise

91CH0433A Budapest NEPSZABADSAG in Hungarian  
1 Mar 91 p 4

[Unattributed article: "A New Owner in Szeged"—first paragraph is NEPSZABADSAG introduction]

[Text] (From our correspondent) Private entrepreneur Andras Balazs, owner of Samson Ltd. of Nagyred, has decided not to allow the workers of Szeged Canning Factory to end up on the street. He bought the factory and established Samson-Szeko Ltd.

The first glimmer of hope came to the people of the canning factory last year when a foreign businessman visited them with the serious intention of buying the factory. But the police intervened, the businessman was arrested, and the factory continued to move toward the abyss. When Andras Balazs learned about all of this, he went to Szeged, looked around, and then announced to the State Property Agency that he would buy the Szeged Canning Factory. Almost simultaneously, he began looking for a market where the factory's accumulated stocks could be sold.

Within a short time, he had created the conditions necessary for the purchase, and then, on 25 February, he put down 275 million forints as real capital. The contract was signed, which also contained the clause that Samson Ltd. would own 100 percent within 90 days and, in return, would pay 764 million forints to the SPA [State Property Agency]. Balazs said at a press conference on Thursday that foreign banks have promised \$30 million

and that he intends to take out privatization credit from the state as well. Andras Balazs said, "All of this together will be enough not only to pay the amount due to the SPA, but also to take care of the factory's 1.4-billion-forint debt."

### Uncertain Prospects of World Expo Discussed

91CH0422A Budapest A VILAG in Hungarian  
6 Mar 91 pp 34-35

[Interview with Chief Engineer Gyorgy Kerekes by Tamas Bihari; place and date not given: "Uncertain Exposition"—first paragraph is A VILAG introduction]

[Text] Two deadlines are approaching with dangerous speed. The final word regarding the World Expo should be announced in April by the city of Budapest, and in May by the government. Until now, both parties chose to delay and to dodge the responsibility. The Expo's proponents have launched an apparent attack during the past few weeks. Statements, and both similar and dissimilar views of various organizations follow one another. We talked with Gyorgy Kerekes, the program office's chief engineer, about the possible site of the Expo and its chances of survival.

[Bihari] Probably only the experts can remember today how the organization of this unusual exposition began. In the meantime, the basic idea, i.e., bridging the gap between two social systems, has also become obsolete.

[Kerekes] The intention of organizing the Vienna-Budapest World Expo was publicly announced in 1988. Unfortunately, from the beginning, the organizers made a few blunders. Among other things, they focused on generalities and did not "divide the tasks." We still feel the consequences of that. Earlier, the custom was to renew plans of city and area development every five years. The last time there was a comprehensive plan that was accepted, and that included all of the concepts regarding Budapest was in 1989. There was no place at all for the Expo in this general development plan.

[Bihari] Was it perhaps because they did not even know where the World Expo should be built?

[Kerekes] This was probably another reason for the inadequate preparation. Like in so many instances, the political decision preceded the laying of professional foundations. Several dozens of sites were considered, from Obuda to Gazdagret, and then the choice fell on South Pest. Meanwhile, in 1989, the entire concept changed. Originally, the Expo began as a large investment, and empty lots were sought. Conversely, the new concept calls primarily for ventures in the World Expo's realization and, most importantly, the concepts of city development now constitute the center of interest. Thus, there is now the possibility of building a new city center by using the areas of Lagymanyos, North Csepel, and Ferenc City. The Expo requires roughly 50 hectares while 200 hectares could be developed or reconstructed

in the designated areas. This would mean a flat area of 2.5 to 3 million square meters to be developed.

[Bihari] Do you already have any concrete ideas?

[Kerekes] Among other things, the European Trade Center as well as shopping centers could be built, and there would also be room for hotels and office buildings. There are several examples in West Europe for the new use of areas with deteriorated infrastructures. It will suffice to only mention the Defense of Paris or the docks of London.

[Bihari] One argument of those who oppose the World Expo is that it would only benefit the capital city and that the rest of the country would be left out of the blessings of progress again.

[Kerekes] Indeed, this argument sounds good, but is not irrefutable. No one can ignore the fact that Europe, at least its western half, will become a vast country without borders after 1992. Cities in advantageous locations that are capable of growing will have a field of attraction that will stretch beyond political borders, i.e., symbolic demarcation lines. Indeed, a few such cities already exist. Paris, Brussels, Munich, Madrid, Rome, or Milan are already huge agglomerative centers. It would be foolish to think that these centers do not have a positive effect on their immediate, as well as more distant vicinities. This is true of Budapest, too, despite the evident differences. It is inconceivable that a modern infrastructure would only be developed in the capital city (and here one should not think only of a telephone, telex, and telefax network), otherwise the entire country could become paralyzed. Liberated East Europe should also take part in the worldwide international division of labor. Contrary to rumors, there is a run on attractive cities by Western capital, and I think that it makes a difference indeed whether Budapest, and Hungary, could become one of the centers of the region, or whether we will stay, or slide back to, the edge of the field. It would be good to pay attention to the competitors: Vienna, Prague, Warsaw, and Belgrade. I think that 1991 is the decisive year. We still have the chance to show what we can do, we can organize a World Expo, we can launch a large-scale program of city development. What is certain is that we do not have much time left.

[Bihari] The Hungarian infrastructure's deterioration is well known. It must be updated regardless of the World Expo. Why do we need the Expo when its financial backing is uncertain?

[Kerekes] I am familiar with these counterarguments, and my only reply is that we are saying the same thing. That is, we are saying that the infrastructure (information network, roads, sewers, and so forth) must be rebuilt regardless of the World Expo. It has been a long time now that the Expo is not the only issue! Nor has our becoming a regional center. At stake is our survival, and this is true of the entire country. The ofttime mentioned infrastructure also includes, among many other things,

environmental protection, environment-friendly technology, and the industry. With regard to the capital city, we have every chance to build industrial parks and scientific and innovative centers in Csepel or Lagymányos.

Ventures would constitute the financial backing for the Expo and city development. No central resources exist, or will exist, for these purposes, that is, we can count only on small-scale support at best. One of the bases for ventures is real estate management. More bluntly, we could call this real estate speculation which for decades had an extremely bad ring to it in Hungary. Of course, exclusively because of political considerations. Investment opportunities have dwindled in West Europe. But a capitalist wants to circulate his money. For that, Budapest and Hungary would present an excellent opportunity. From the aspect of city development, the Expo would only be an episode. In our estimate, 60 percent of the projects built for the Expo would be preserved. The program office has had surveys made of whether there would be enough interest by parties with strong capital. The basic premise is that there is quite a large area at our disposal, and we would also like to organize a World Expo. There are many contenders for the bride's hand, including international firms, and the contenders have also indicated how much they would be willing to spend for the wedding.

[Bihari] We often heard figures of \$7.5 billion. Where is this money?

[Kerekes] First of all, we are talking about \$7.5 to \$9 billion. In general, the way the question is raised is not good. This is the order of business: Is there going to be an Expo? What do we want, and where do we want it? How much it is going to cost? And what are the guarantees? The hands of those who show a serious interest will be tied until a final decision is made about the World Expo, until the concession law is passed, and until proprietary rights remain unclarified.

[Bihari] What would be a viable way?

[Kerekes] One, or possibly more than one, professional Western firm should be involved in the organization, and we should work out the necessary steps together with them, by learning from them. I already mentioned that the infrastructure must be developed anyway, but it does make a difference as to when it will be developed. We can gain decades through the Expo. We must not ignore the fact that the Expo would present the investors an extraordinary opportunity for advertisement. Fortunately, despite the uncertainties, organization has not come to a halt. Thirty bidders submitted their proposals for the South Pest development, and six of them were invited to submit their second proposal. The jury, made up of politicians, economists, and technical experts, will make a decision in April. The winning proposal will be used in making the development's final plan.

[Bihari] A ban on construction in the designated areas has been in effect during the dispute regarding the World Expo. Was this not to the disadvantage of the managers and owners of these areas?

[Kerekes] Not at all. The lots are appreciating in value. They can be used in several different ways. Their owners can bring them into a South Budapest development firm as real capital. If they consider this unsuitable, they can exchange their lots and can even use the surplus value of their South Pest lots for new construction projects.

[Bihari] What relations does the program office have with the capital city government and with the government agencies?

[Kerekes] Tensions do exist because, as a result of previous events, the Budapest government and its predecessor did not, and could not, prepare detailed plans for development. We were forced to prepare plans. Because of this, they have certain reservations about us.

[Bihari] Is the support for the World Expo by the program office's experts not motivated by personal gain?

[Kerekes] Speaking for them, I can say no. I can say without boasting that the members of our team would not be without a job in the "civilian" sphere either. We simply believe in the Expo.

## 'Obstacles to Privatization' Discussed

### Infrastructural Problems

91CH0406A Budapest HETI VILAGGAZDASAG  
in Hungarian 9 Feb 91 pp 89-91

[Article by Mihaly Laki—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] No matter how good our privatization techniques might be, insufficient political intent exists to accomplish privatization, the transfer of a large part of the economy to private ownership. We bury our heads in the sand as long as we feel that doing so will suffice. Social and economic factors which serve as obstacles to privatization should also be described. The author, an economics researcher, takes these obstacles into account.

Political parties seated in the Hungarian parliament committed themselves to the rapid and radical dismantling of state property and with that, to the establishment of an economic system based on the preponderance of private ownership. In its renewal program, the administration announced that "the development of private ownership and private initiative, the forceful, continuous increase and protection of the importance of private ownership, the development of ownership forms in broad areas of the economy which proved to be appropriate in developed market economies, and the reduction of the excess preponderance of the state are the central elements and the foundation stone of (the government's) economic policy." Given an appropriate

privatization technique, and the needed commitment and consistency, it may seem as if a preponderance of private ownership in the Hungarian economy could be established within a relatively short period of time. Political debate over privatization pertains exactly this matter. Opposition experts blame the coalition primarily because it is slow in developing privatization programs, and for preparing to apply low efficiency techniques.

If we were to measure the speed of privatization by say, the annual change in the legitimate private sector's ownership share, we would find that progress has also been influenced by other, mainly noninstitutional social and economic forces. As West European examples also indicate, the effects of factors which impede and retard privatization must not be neglected even in developed market economies. These retarding factors deserve special attention in an economy in which investment activities and organizational structures adapted themselves over a long period of time to the peculiar order of planned economies.

Irrespective of whether we observe the establishment or the transformation of entrepreneurial ventures, we will find impeding factors in both fields of privatization based on physical conditions, on financing, and on the people's educational level, outlook on life, and ideology. Moreover, we will find some which stem from a lack of interest or counterinterest manifested by certain social groups.

The establishment of new private enterprises has frequently been hindered by the lack of certain machinery, equipment, raw materials, and services. It has become impossible, or very complicated to obtain for example machinery, means of transportation, and animal breeding technologies suited to the size and production structure of household farms and farming units because of the shortage economy and its consequences, and the inflexibility of supplies. The situation is similar in industry, both the building industry and in commerce. An insufficient volume of modern machinery, equipment, packaging equipment, and means of transportation for small enterprises is available on the domestic market.

Not only short supplies hinder privatization, but also the fact that most fixed assets owned by entrepreneurs, which do not amount to much anyway, are useless under the new circumstances. One by one, the frequently daring technological solutions, bridging techniques, and forced innovations applied in the socialist second economy proved to be incapable of competing under the new circumstances, and a substantial part of the ingenious machines and equipment developed in the second economy proved to be efficient and profitable only under monopolistic conditions created by shortages and only along with monopolistic prices. However, previous efficiency based advantages in the mercantile or service markets quickly disappear when imported goods, foreign entrepreneurs, and foreign investors, rather than wasteful state enterprises present direct competition.

All of this is increasingly true regarding the infrastructural conditions that are available to entrepreneurial ventures. Many who were active in the second economy were able to succeed because, among other things, they were able to use the infrastructure available to state enterprises, however poor and backward such infrastructures might have been. They transacted business over telephone lines at their primary workplaces, consumed electricity, gas, cold and hot water at the same place, took part in continued education at the workplace, and were able to use libraries and other information systems. In contrast, new private entrepreneurs often do not have their own telephones, their plants and workshops have insufficient or no electricity or water, and they are unable or unwilling to link up with information systems due to high costs. All of these matters represent not only passing shortages; the decade old backwardness of the infrastructure and its miserable performance will weigh heavily on new entrepreneurs for a long time to come.

Most of these physical barriers to privatization have been known to both the professional and the broader lay public. However, less is being said about state assets which cannot be privatized. Undoubtedly, a significant part of state enterprise fixed assets, even entire plants or workshops, could be leased, or transferred to private ownership without any significant investment, and given appropriate profiles and markets, new entrepreneurs operating these assets could quickly materialize significant profits. (This concept of privatization could be particularly attractive to people who work in those plants, because as a result of privatization, they could also turn their significant local knowledge into capital.) This, however, holds true only with respect to part of the state enterprise assets, and we do not know the size of that part. It would not be that easy to privatize the other part. The second part may be divided into two large groups. The smaller group is comprised of planned economy establishments, which proved to be superfluous and irrational even from the standpoint of the planned economy, and which served propaganda and prestige purposes only (let us recall for instance the construction of the subsequently demolished People's Stadium metro station in Budapest). Other investment projects did correspond with the logic of the planned economy and might have been able to produce one kind or another type of product in large volume and in an unchanged form over a long period of time. Because of the rigid technology and the inflexible work organization, these investments could not be changed into profit oriented enterprises, or if they could, such change would require rather large investments. For example, what should be the fate of laundries that were regimented into a large enterprise, in total disregard of global trends? What should be done with central kitchens which "supplied" cafeterias at workplaces and in schools, and with clothing production lines which could be used to produce military uniforms, but would hardly be able to follow fashion trends?

As of today we do not know what proportion of state property is composed of, to use Pal Juhasz' witty



analogy, these "endogenous inclusions" of the planned economy. In any event, relative to privatization processes completed thus far, buyers had an accurate knowledge of which parts of the purchased enterprise they really wanted to acquire, and what they regarded as the proceeds of the tie-in arrangement. Given an opportunity, buyers will continue to pick and choose also in the future from among the enterprises, plants, workshops and stores offered. To top it off, this phenomenon may reduce the anticipated speed of privatization at an increasing rate. With the passage of time, the ratio of assets which cannot be mobilized within state property will increase, and this, in turn, will increase the chances of privatization running out of steam.

Another much discussed obstacle to transferring assets to private ownership is the lack of capital. According to some rather gross estimates, savings by Hungarian individuals which may be invested amount to between 10 percent and 20 percent of the value of state assets subject to privatization. In making calculations like this, the propensity (ability) of individuals to invest a given part of their (forint) savings serves as the starting point. However, in order to determine the actual possibilities, one should examine the total value of assets owned by individuals. This is because property owned by households either in the form of a mortgage or as liquid capital not only serves as a source of investment, but may also constitute an investment goal in itself.

The larger part of household assets which may be turned into capital consists of real estate (homes, vacation homes, lots). Precious metals and foreign exchange constitute another important part of private assets, but the populace also disposes over a significant amount of forint savings. Hungarian and foreign private investors freely evaluate whether they should invest their capital in real estate, precious metals, foreign exchange, Hungarian forints or for that matter, in parts of state property put up for sale. Presently, investors are attracted by foreign exchange in order to materialize profits from differences in inflation rates. On the other hand, the nominal value of real estate increases in excess of the inflation rate, and carries relatively small risk. Under these conditions not only the populace, but also the foreign investor, will purchase part of, or invest in state property or new ventures only if the anticipated return on such purchases or investments significantly exceeds the profits one might hope to realize from the rapid increase of real estate prices or from the value preserving effect of foreign exchange. In these days, the populace invests a large volume of forints in foreign exchange and real estate. This indicates that people with liquid capital will not automatically invest in new private enterprises or parts of state assets. Moreover, if differences in gains are significant, part of the preferential loans granted for the purpose of purchasing parts of the state property may also trickle over into the aforementioned alternative investment markets. Regarding the real estate and foreign exchange markets, one should not neglect considering the advantage of buying and selling in these markets on the basis of solid rules which are widely known.

On the other hand, only a few people are familiar with the buying and selling of part of state assets, for example, stocks and bond trading, and therefore, people will prefer buying real estate or foreign exchange even if the gain on such investments is less than what they could expect from a privatization action.

Even in developed market economies only a relatively few possess the expertise required for investing. In those countries, such knowledge has been condensed in a number of mutually competitive investment agencies and companies, and commercial and savings banks. These enterprises think and act on behalf of investors for an appropriate return. Although the number and capacity of financial institutions which provide such services have been increasing rapidly in the Hungarian money market, their presence as of today is negligible. On top, the number of such institutions may be increased only slowly due to lack of expertise and an appropriate infrastructure. Accordingly, the speed by which privatization progresses will be influenced for a protracted period of time by the speed by which the investors' and bankers' knowledge spreads.

#### Further Impediments

91CH0406B Budapest HETI VILAGGAZDASAG  
in Hungarian 16 Feb 91 pp 74-75

[Article by Mihaly Laki—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] The privatization process may get stuck not only as a result of the backward infrastructure and the lack of machinery and money. In the second part of his writing the author analyzes ideological and educational impediments and the role played by counterincentive.

In a number of respects, 40 years of communist propaganda had no effect whatsoever. But communist propaganda left behind lasting imprints on human behavior wherever it was able to find a foothold in traditions. Communist views concerning enterprising management and the extent to which social inequities are "just," or are organically tied to other conservative, rightwing, or middle-of-the-road views held by larger or smaller groups of Hungarian people. One would be hard pressed to directly relate differences one finds in the life goals of various people to the results produced by such ties, but the relative popularity of anticapitalist ideologies suggest that several social groups do not sympathize with the goals and conditions of a modern market economy. Sociological assessments tell us that a significant number of people do not wish to be entrepreneurs, and that only a minority in Hungarian society consciously strives to become rich and successful.

The spread of an entrepreneurial outlook has been hindered not only by certain traditions, certain new political forces and personalities also voice antientrepreneurial views and express reservations concerning entrepreneurial activities. Of particular importance are

expressed prejudices concerning middlemen, and in general with respect to nonproductive activities. Such expressions were not left without a response. At other times antientrepreneurial sentiments appear in national colors. On such occasions the emphasis is on the dangers presented by the increasing influence of foreign capital, not on entrepreneurship itself.

It would be a shame to underestimate the power of political propaganda. But the adverse appearance of already functioning Hungarian ventures hinders the faster spread of entrepreneurship far more effectively than speeches and statements made by politicians. This is how Janos Kornai characterizes the situation: "I am fully aware of the frequent phenomenon in which a private entrepreneur is eager to get rich quick even at the cost of cheating customers or defrauding the state. These entrepreneurs do not strive to establish their businesses or plants firmly and securely for the coming years or decades, instead they endeavor to reap maximum profits, preferably in the course of a few months. These entrepreneurs refrain from making productive investments, and set themselves up for provokingly wasteful consumption. Quite often they are impolite with their customers, they manifest the same cocky attitude of 'what you see is what you get' as the one that evolved in the shortage economy within the state sector. All of this serves to turn the public against the private sector." In short, the conduct manifested by many new entrepreneurs does not provide a positive example. It acts more as a deterrent than a motivation to follow the example.

The conduct so tersely characterized by Kornai was hardly the consequence of a peculiar market superiority which repeatedly reproduced itself. Often the lack of entrepreneurial skills and knowledge also play a significant role in the spread and survival of this conduct.

Part of the entrepreneurial skills may be acquired through organized training, another part may be learned exclusively through the method of "learning by doing," i.e., by watching others and practicing what we see. The decades of state socialism did not favor either of these learning processes. In the framework of organized education, the teaching of certain trades was discontinued, in other fields the structure of knowledge conveyed changed to the detriment of entrepreneurship. For example, during the years of state socialism no one was trained to perform stock market transactions, to provide investment advice, or to become a real estate broker. At the same time, the educational system was transformed for the mass propagation of knowledge that could be used only in a planned economy. The educational system produced a growing number of plan statisticians, procurement officers, and of course, party workers.

On the other hand, in trades and occupations where teaching continued, the structure of knowledge conveyed to students was changed. Knowledge required for entrepreneurship and business management was not taught in intermediate schools or in the course of skilled worker training. For a long time one could not choose marketing

and market research even as an elective subject as part of engineering studies. The teaching of these subjects began relatively late at the University of Economic Sciences.

Accordingly, in the framework of the educational system, one could observe the spread of knowledge that was pertinent to the planned economy, to the detriment of entrepreneurial knowledge. At the same time, we may recognize an even greater change, a certain shrinkage in knowledge that could be acquired from others. (Incidentally, the shrinkage began with the Holocaust, continued with the deportation of the German population of Hungary, and received another boost in 1956.) Since a sufficient number of ventures did not exist, one could not observe and acquire the aptitudes of experienced entrepreneurs. The transfer of family traditions related to enterprising had ceased and paused, one could not gather entrepreneurial experience in other countries.

The appearance of foreign investors and joint enterprises on the Hungarian market, the system of educational courses which develop entrepreneurial aptitudes and the disciplining force of competition which forces one to learn is already increasing the entrepreneurial knowledge accumulated by the Hungarian population. On the other hand, one could hardly expect a sudden increase in this knowledge.

Those who look forward to a quick spread of the market economy in Hungary frequently assert that the second economy served as a preschool education for large masses, and that given the new and favorable conditions a large number of those who were previously active in the second economy would become entrepreneurs. But is it really true that it is possible to quickly transform experience gained in the second economy into entrepreneurial knowledge? And if so, would those who possess the knowledge acquired in the second economy be really interested in such a turnaround?

The term "second economy" represents a collective concept. Certain business activities with very different organizations and goals outside the official economy were included under this term. These activities had one thing in common: In contrast to the Great Utopia which endeavored to regiment people into a militaristic work organization separate from the marketplace, those active in the second economy appeared on the market, bought and sold goods and services, characteristically in exchange for money. In doing so they compared their expenses with their profits. All of this could be told of entrepreneurs in developed market economies. Those who talked about the appearance of an entrepreneurial element in the second economy, of seedlings of a civil society, of marks of economic autonomy, moreover, about a peculiar insurrection against the prevailing order made reference to this similarity.

Those who underscored the conduct of persons active in the second economy, which disintegrated and ground up the command economy also pointed out that those active in the second economy were quite different from

entrepreneurs in developed market economies. The chief difference that they recognized was that in an overwhelming majority of cases, the second economy entrepreneurs have failed to expand, and therefore have made only relatively small investments. One could put it this way: Frequently they would not transform work into capital even if the return on capital exceeded the compensation one received as a result of work. The other peculiar feature of second economy actors was that in a manner inconceivable to entrepreneurs in developed market economies, these people became integrated with the official economy. This kind of integration took place because it produced benefits for second economy entrepreneurs. As a result of integration with the official economy, they not only paid fewer taxes and social security contributions, but also "transferred" the operating costs to the enterprises of the first economy. The advantage of becoming phased into the first economy was the number of inputs they were able to acquire within large organizations in the peculiar capital preserving, mutual aid system, by using their informal connections.

The third peculiar feature that we should mention is the fact that in typical situations, those active in the second economy did not compete at the marketplace, but enjoyed controlling positions vis-a-vis their customers, as that was customary in the shortage economy. They were familiar with, and applied the tactics of state monopolies; they collected orders, then chose from among those who placed the orders. They were not sensitive to costs because they have been able to convey costs to the buyers, and so on.

A person active in the second economy is not interested in growth. He has become integrated with state property and avoids competition. A person like this would surrender his acquired position, business relations, and strategy only in exchange for well calculated advantages. He will choose growth, severance from the state and competition, he will become a Western-style entrepreneur, only if that will produce a greater income, more security, and more recognition than he had before.

We could hardly be mistaken if we said that a hard to define, but probably not negligible part of the second economy actors would not be interested in making a change and to start a new, Western-style venture. To the contrary, those who acquired a significant bargaining power, influence and market power in the second economy would try to preserve all of this. The same forces and interests which stabilized the system in the latter days of socialism, may play a conserving role at this time.

## POLAND

### Commentary by New National Bank President

91EP0335A Warsaw GAZETA BANKOWA in Polish  
No 7, 17-23 Feb 91 p 3

[Comments by Dr. Grzegorz Wojtowicz, president, National Bank of Poland, noted by Halina Binczak at a

hearing of the Sejm Economic Policy Committee in Warsaw; date not given: "How Will the National Bank of Poland Change?"]

[Text] The Sejm has appointed a new chairman of the NBP [National Bank of Poland]. Professor Wladyslaw Baka was replaced by a previous NBP vice chairman, Dr. Grzegorz Wojtowicz. A change in the post of the chairman of the central bank is always important, and in a situation in which the economy is undergoing fundamental changes, it is becoming a particularly important matter. Hence, are changes in the policy and operating procedures of the NBP to be expected under its new chairman? Some information on this subject can be found in the answers given by Chairman Wojtowicz at a hearing of the Sejm's Economic Policy Committee.

\* \* \*

Below are his opinions on several basic issues:

### On Credit Ceilings:

The principal instrument for regulating the money supply should be the interest rate. If, however, the economy as a whole is confined in a kind of corset—namely, the government's economic policy—the central bank, while promoting the money market, should not oppose that policy. Allowance should be made not only for the needs of the daily credit supply but also for the agreements with the IMF, especially in the context of an eventual reduction in Poland's foreign debt. In an economy which is not fully a market economy, complete freeing of credit would not be proper. That would be possible only after some time. As regards sector credit limits, especially for agriculture and for the financing of procurements, the matter should be resolved by refinancing letters of credit.

### On Mandatory Bank Reserves

In general, they should be reduced to a minimum, and if applied at all, they should at least partially bear interest. Their present level is a consequence of past actions, actions that should be reassessed in the context of their consequences. This has been linked to attempts to introduce the solutions applied in other countries. In England, for example, mandatory bank reserves are determined informally, on the basis of a gentlemen's agreement. In this country they should be determined formally, decreed, so as to avoid any misunderstandings.

### On the Discount Rate and Refinancing Credit

It must be a realistic rate, however, the varying dependence of banks on refinancing and rediscounting letters of credit is causing banks to practice an increasingly autonomous approach to determining the money market interest rates. An additional factor in determining these rates should be competition among banks.

### On the Surplus of the Balance of Payments

Preliminary figures indicate that we have achieved a surplus of \$2.2 billion in our foreign trade based on hard currencies. This is a lot, but less than had been predicted. The last few months of last year were accompanied by not only increases in crude petroleum prices but also by both acceleration of imports and delays in exports in the hope of a devaluation. The discrepancy between NBP assessments (ensuing from the summing-up of the operations of all Polish banks) and GUS [Main Statistical Administration] figures ensues from the fact that the GUS misses part of the related statistics. The surplus is a positive trend, if viewed in a perspective of more than just one year and with allowance for external dangers (the effects of the rise in crude petroleum prices and of the change in clearing of accounts [adoption of hard currencies as the basis] with the countries of the former CEMA), along with the possibilities for reducing Poland's foreign debt, and also in view of the incomplete adaptability of the economy. As for the inflationary effect of that trade surplus, a penetrating analysis shows it to be not large. The Polish inflation is chiefly due to the initial movement of prices toward market prices, the subsequent movements toward balancing supply and demand, and, later still, the inflationary expectations. The trade surplus promoted them, but its influence has been much smaller.

### Inflation This Year

It will be difficult to maintain it at the assumed level of 52 percent. At the same time the central bank should do everything in order not to pour oil on fire, meaning a corresponding orientation of monetary policy. There are fears that the inflation will be a dozen or so points higher and that this will affect the possibilities for maneuver in monetary policy.

### The Currency Exchange Rate

The rate of exchange of the zloty to the dollar has not changed, but the dollar has become devalued and so nowadays foreign trade earns altogether six percent more for the dollar than it did on 1 January. The stability of the exchange rate is not a dogma—if the trend toward a decline in hard currency reserves persists, a decision to devalue [the zloty] may be taken. It should be considered, however, that this would cause a chain reaction of processes of devaluation and inflation. Devaluation may also be accompanied by an extremely marked "shift in emphasis" on various production factors, and primarily on wages. It should moreover be considered that it is those who do not export that gain most from a devaluation, because they find it easier to factor a higher currency rate of exchange in their prices. Even if the currency rate of exchange is not optimal, changing it might turn out to be even worse. Such a decision should be based on various premises, but the level of [hard currency] reserves will be the decisive factor.

### Revaluation of Bank Deposits and Credit

The logic of the system we are creating, a system in which the interest rate should be a positive real one, has no room for the revaluation of bank deposits and credit.

### Bank Credit for Central Investments

It would be better if bank credit were channeled in the directions from which rapid effects could be expected rather than in those stemming from the mistakes of the past. The State Budget must finance certain fields and that is, above all, the place for central investments, although a certain level of bank credit is not precluded—up to a limit, that is, given the logic of the system we are creating.

### The New Banking Law

Amendments to the banking law have been drafted and the government should soon consider them, but that does not resolve the matter. Intensive work is under way, with the participation of foreign experts, on a completely new banking law and a decree on the NBP. It may be completed even before this year is over; in this connection, the question of the legal status of the NBP is particularly important, as is an integral regulation of all of its contacts with the banks, so as to avoid any related misunderstandings in the future.

### Renaming the NBP the Bank of Poland

After all, this is not just a question of a name and of spending billions of zlotys on changing all the logos and seals of this bank. Replacing the NBP with the Bank of Poland should be not just a change of plaque but a change of the entire institution, the crowning of the process of changes.

\* \* \*

The above views voiced by the new chairman could be complemented with the following comments he gave the press immediately after the committee ended its deliberations. Incidentally speaking, [Wojtowicz's] appointment to this crucial economic post has caused much less interest among reporters than did recent cabinet changes.

[Question] Given the change in economic policy, are changes in the monetary policy or its instruments to be expected?

[Wojtowicz] I think that in our economy, during the present period of establishing a market economy, no stage is comparable with another. Hence events in the economy should be monitored, because this may affect monetary processes, and then decisions should be taken.

[Question] Will the NBP under your leadership continue its activities so far, or do you foresee any major changes?

[Wojtowicz] For some time now the process of reforming the central bank has been under way, and certain matters

must be continued in order not to forfeit past accomplishments. We have to reassess some aspects, but what I would term "uncompleted production" shall be continued. This concerns, among other things, the issue of reforming the National Bank of Poland as such in, properly speaking, every domain. Consider for example creating a money market, this has just begun and must be perfected. As for the question of investing hard currency reserves, it is by now being handled in a completely different manner, and publicly even, but we have to know how to utilize new instruments—recently, e.g., we have started to invest in United States Treasury securities. The great plan for opening NBP accounts also has already been launched, and it should be finalized in order to dispose of an efficient instrument for everyday control of the monetary policy. There are many other such issues, and they are advanced to a varying degree. But one novel fact is that the restructuring of the banks is not a matter for the central bank; it is a matter for the government, and the central bank can merely participate in it.

[Question] It is thought that the banks have earned so much in the previous period that they can afford to lower their loan interest rates, and that a positive real interest rate is to them merely an excuse. What is your opinion?

[Wojtowicz] We should consider different categories of banks and the ways in which they utilized that money. It should be borne in mind that banks must have banking capital. For years our banks served customers at a loss, and the danger of such unprofitable operation is still very large. What I am saying should not be interpreted as meaning that the banks should enrich themselves quickly, but ultimately they should become genuine banks, that is, operate with adequate capital. Of course, if a bank gets in trouble, there is the banking supervision and other institutions for taking care of it. Above all, however, there also is the competition for banking services, a competition which we are gradually reaching and which will eliminate such instances.

[Question] What is your view on the possibilities and uses of an eventual introduction of a variable currency rate of exchange? Would not then the level of hard currency reserves be less effective in influencing the extent of the money supply?

[Wojtowicz] Here we should distinguish between two matters: first, should this be a variable rate of exchange with respect to the dollar? That would involve a certain technical maneuver that would be rather difficult considering that the introduction of a new mechanism also could produce inflationary effects. On the other hand, switching to some basket of hard currencies might be worth considering, and that will happen sooner or later, because in the medium term this is a more rational solution. If, however, the currency rate of exchange is to exercise the function of an anchor of stability, and one linked to the dollar at that, then, in my opinion, that anchor should be retained as long as possible.

[Question] Can the NBP be completely independent of government decisions?

[Wojtowicz] As I stated many times before, I believe that the currency comes first and support for the government's economic policy comes second. If we proceed from this premise, the logical conclusion is that the central bank, as an institution, exists precisely in order to be independent—and only then it is useful to both the government and the economy as a whole.

### **Egg Production, Supply, Efficiency Noted**

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No 6, 10-16 Feb 91 p 7

[Article by Alicja Kolodko: "The Egg Roulette"]

[Text] Fluctuations in the profitability of farming are natural. Farm producers are aware of this and know how to adapt themselves to lean years and fat. But the situation turns dicey when taking production decisions begins to resemble playing at roulette. What should be done to win? The egg producers who had made a new wager in the spring of 1990 are winning today.

And this is a big win. The boom will last until this coming spring, that is, until the supply of a large number of eggs from hens colloquially termed "village hens" becomes available. The village eggs will fill the market stalls and, owing to their abundance, they will push the prices down to a level at which egg producers have to make new calculations. At the same time, it is hard to believe that Dutch or Finnish eggs will threaten the interests of Polish egg producers, since their imports are profitable only during the current level of egg prices, and they can at most only maintain that level without changing it.

For many years now the egg market has been fairly stable. The chicken farms established in the 1970's at nearly gratis cost owing to then adopted farm policy have been a source of a more or less steady income to their owners. The only problem was with feeds, which had been allocated centrally. Following a brief stoppage of production in 1981 owing to a shortage of imported feed components, the poultry flocks began to be rapidly rebuilt, although the peak of 1980—nearly 9 billion eggs—has never yet been regained. But there was no shortage of eggs. The average Pole eats about 200 eggs a year, as many as a Finn or a Dane, and that has been enough for him. Thus even subsequent output of 8-8.5 billion eggs did not require supplementing it with imports.

Egg prices have been—and will remain in the near future—influenced by periodic fluctuations in supply. About 20 percent of eggs is produced on chicken farms, with the remainder being provided by village hens. The supply reaches its peak in the spring, afterward decreasing so as to clear the floor of competition for the chicken farm aristocracy during the fall-winter period.

That also is why chicken farm owners take into consideration the seasonal fluctuations when scheduling the repopulation of their farms and the slaughter of the older hens.

Such was the situation in the spring of last year. However, demand declined below normal, thus keeping the price per egg at the level of 200-250 zlotys for a long time. At that time, owing to the soaring of feed prices, the cost of producing one egg on a chicken farm had been 400-450 zlotys. It is hardly surprising, therefore, that when the time came to decide to repopulate the farms with a new generation of breeders, about 30 percent of the producers decided to change their production profile. The final accounting of income and expenditures was influenced by the high loan interest rate. The chicken farm owners could expect a decline in demand but they could not expect a decline in the loan interest rate to a satisfactory level.

Besides, enterprising individuals began to face other, much more advantageous prospects. A chicken farm shed is a long, low building and it is enough to remove cages and the feed chute from it in order to turn it into an excellent warehouse for storing imported merchandise. More than one fortune has been coined in this way, and besides this is a much more pleasant way of working than having to watch over a flock of live and ill-smelling poultry.

But those poultrymen who stuck to keeping their chicken farms in operation do not regret their decision now. The egg producing cost has not changed markedly since the spring of 1990, but the prices of eggs have increased fivefold. Today there is no shortage of feeds, customers are queued up, and it pays to maintain a flock of breeders even despite the low egg-bearing indicator, that is, less than 70 percent compared with the maximum of 80-85 percent. Accordingly, today a chicken farm with 10,000 breeders yields a profit of the order of \$10,000 to \$12,000 monthly. Even the high price of chicks for raising (4,500 to 5,000 zlotys a head) is recouped, because after slaughter each breeder, now a broiler, can be sold at 13,000-14,000 zlotys a kilogram.

Such incomes can attract quite a few willing future chicken farmers. But this is not going to happen. Today building a new chicken farm shed costs hundreds of millions of zlotys, and should it be built on credit, the entire project is doomed in advance to fail given the binding interest rate which is not likely to be cut. So much capital can, if invested in other kinds of activity, yield better results to its owner than egg production, without moreover requiring the hard work and involving the risk of a financial failure inherent in any farming activity. In a word, the high and enviable incomes of the owners of the existing chicken farms are the result of a risky but successful decision. That was simply a good wager. The next wager is not bound to be as lucky.

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